

**SOUTH ORANGETOWN CENTRAL
SCHOOL DISTRICT, NEW YORK**

**Financial Statements and
Supplementary Information**

**Year Ended June 30, 2017
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

September 27, 2017

The Board of Education of
South Orangetown Central School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information on pages 48 through 62 and the other information on pages 63 to 65 as required by the New York State Education Department, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 70 is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The other information required by the New York State Education Department 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 September 27, 2017 on our consideration of the 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 solely 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 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 District's internal control over financial reporting and compliance.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2017

Introduction

As management of the South Orangetown Central School District (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District's financial activities for the year ended June 30, 2017. It should be read in conjunction with the basic financial statements to enhance understanding of the School District's financial performance, which immediately follows this section.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- New York State Law limits the amount of committed, assigned and unassigned fund balance, exclusive of encumbrances and amounts designated for the subsequent year's budget, which can be retained by the General Fund to 4% of the ensuing year's budget. At the end of the current fiscal year, this amount for the General Fund was \$3,558,665 or 4%, and is therefore within the statutory limit.
- On the district-wide financial statements, the assets and deferred outflows of resources of the School District exceeded liabilities and deferred inflows of resources at the close of its most recent fiscal year by \$46,316,898. The School District's net position decreased by \$998,112 for the year ended June 30, 2017. The decrease is mainly related to changes in Net pension assets and liabilities and related changes in Deferred Inflows and Deferred Outflows. See Note 5 to the Financial Statements for details regarding both ERS and TRS changes to these items.
- Included in this year's district-wide full accrual financial statements is the continuing recognition of the other post-employment benefit obligations as required under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45. The GASB is charged with developing the accounting rules that apply to governments, including school districts and BOCES. These obligations include any benefits provided to retirees, other than a pension, including health insurance, life insurance, vision, dental, etc. GASB Statement No. 45 establishes standards for accrual based measurement and recognition of OPEB expenses over periods that approximate employees' years of active service, as well as the required note disclosures. The statement also provides guidance on the required note disclosures. The actuary performed a sensitivity analysis based on varying the discount interest rate and health care cost inflation rate. Based on the analysis, the discount rate used for the July 1, 2016 evaluation was four-percent, which they believe is consistent with current market rates. For the year ended June 30, 2017, the School District's OPEB obligations of \$39,951,147 are reflected as a liability on the district-wide financial statements.
- The School District had a change in key administration with the resignation of the previous Business Official on July 1 and the hiring of a new Business Official effective August 1. Additional Business Office staff were also added to the core team of longtime incumbents. The continuity of key Business Office personnel, especially the Treasurer/Supervisor of Fiscal Services, made for a smooth transition.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements which are comprised of three components: (1) district-wide financial statements, (2) fund financial statements and (3) notes to financial statements. This report also contains other supplementary information, which is intended to give the reader additional detail in support of the basic financial statements.

District-Wide Financial Statements

- The district-wide *financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.
- The *statement of net position* presents information on all of the School District's assets and liabilities and deferred inflows and outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the School District is improving or deteriorating.
- The *statement of activities* presents information showing the changes in the School District's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will result only in cash flows in future fiscal periods (for example, earned, but unused vacation leave, other post-employment benefit ("OPEB") obligations, and pension obligations).
- The *governmental activities* of the School District include instruction, pupil transportation, cost of food sales, other, interest and general administrative support. The district-wide financial statements distinguish functions of the district that are governmental activities (those principally supported by charges for services, operating grants and contributions).

The district-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

- A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein. These accounts are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.
- *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Overview of the Financial Statements (Continued)

Fund Financial Statements (Continued)

- Because the focus of governmental funds is narrower than that of the 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, readers may better understand the long-term impact of the government'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 School District maintains six individual governmental funds; General Fund, Capital Projects Fund, Special Aid Fund, School Lunch Fund, Special Purpose Fund, and Debt Service Fund. The General, Capital Projects, Special Aid, and Debt Service funds are considered major funds and information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for these funds. The remaining funds are non-major and their information is aggregated and presented in a single column as non-major governmental funds.
- The School District adopts an annual budget for its General Fund, School Lunch Fund, Special Aid Fund, Capital Fund and Debt Service Fund. A budgetary comparison statement has been provided for the General Fund and Special Aid Fund within the basic financial statements to demonstrate compliance with the respective budgets.
- The *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity on behalf of others. Fiduciary funds are not reflected in the district-wide financial statements because the resources of these funds are *not* available to support the School District's programs.

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

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential for fair presentation and that is not otherwise displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements and should be read in conjunction with the financial statements. The notes focus on the primary government - specifically, its governmental activities and major funds. The notes to financial statements can be found following the basic financial statements section of this report.

Other Information

In addition to the basic financial statements and notes to the financial statements, this report also presents required supplementary information (RSI) concerning the School District's progress in funding its obligation to provide OPEB to its employees and information regarding the School District's proportionate share of pension obligations and contributions. RSI immediately follows the notes to the financial statements.

This report also includes supplementary information (SI), which immediately follows RSI and gives the reader further detail on the information presented in the basic financial statements. Included in the SI are the individual fund financial statements and schedules; the project length schedule for the Capital Projects Fund and the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance") compliance audit of federal awards programs.

District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position. In the case of the South Orangetown Central School District, New York, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$46,316,898 at the close of the current fiscal year.

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 35,658,318	\$ 33,926,282	\$ 1,732,036	5%
Noncurrent assets	56,842,329	83,237,077	(26,394,748)	-32%
Total assets	<u>92,500,647</u>	<u>117,163,359</u>	<u>(24,662,712)</u>	-21%
Deferred Outflows of Resources*	<u>26,462,942</u>	<u>7,690,582</u>	<u>18,772,360</u>	244%
Liabilities:				
Current liabilities	8,444,741	12,211,155	(3,766,414)	-31%
Long-term liabilities	62,930,768	55,969,947	6,960,821	12%
Total liabilities	<u>71,375,509</u>	<u>68,181,102</u>	<u>3,194,407</u>	5%
Deferred Inflows of Resources*	<u>1,271,182</u>	<u>9,357,830</u>	<u>(8,086,648)</u>	-86%
Net position:				
Net investment in capital assets	38,072,344	37,520,456	551,888	1%
Restricted	18,941,282	17,916,849	1,024,433	6%
Unrestricted	(10,696,728)	(8,122,296)	(2,574,432)	-32%
Total net position	<u>\$ 46,316,898</u>	<u>\$ 47,315,009</u>	<u>\$ (998,112)</u>	-2%

**Detailed information pertaining to the School District's Deferred Outflows/Inflows of Resources is presented in Notes 1 and 5 to the financial statements. The amounts are as follows:*

	<u>Deferred</u>	
	<u>Outflows</u>	<u>Inflows</u>
Employee retirement system	\$ 1,177,082	\$ 234,086
Teacher retirement system	24,966,367	1,037,096
Unamortized loss on refunding	<u>319,493</u>	<u>-</u>
	<u>\$ 26,462,942</u>	<u>\$ 1,271,182</u>

By far, the largest component of the School District's net position reflects its investment in capital assets of \$38,072,344 (82% of the total). The increase of \$551,888 (net of depreciation) from the prior year is due to the substantial completion of the 2013-14 Minor Capital/Security and 2014-15 Minor Capital Projects as well as the Palisades Boiler replacement project. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Those assets subject to external restrictions constitute 41% of total net assets or \$18,941,282

District-Wide Financial Analysis (Continued)

The remaining balance of net position is unrestricted net position of \$(10,696,728), which represents an decrease of \$2,574,432 from 2016, primarily due to the decrease in the net pension asset for the School District's proportionate share of the net pension asset of the New York State Teachers' Retirement System, payoff of debt, and the completion of capital projects.

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Program revenue:				
Charges for services	\$ 951,399	\$ 941,796	\$ 9,603	1%
Operating grants	2,414,318	2,937,551	(523,233)	-18%
Capital grants and contributions	-	1,194	(1,194)	-100%
Total program revenue	<u>3,365,717</u>	<u>3,880,541</u>	<u>(514,824)</u>	-13%
General revenue:				
Property and other tax items	74,326,616	74,155,147	171,469	0%
State aid	12,321,013	11,071,951	1,249,062	11%
Federal aid	77,102	-	77,102	100%
Use of money and of property	1,787,625	1,580,245	207,380	13%
Sale of property and compensation for loss	856	32,630	(31,774)	-97%
Miscellaneous	<u>601,661</u>	<u>374,577</u>	<u>227,084</u>	61%
Total general revenue	<u>89,114,873</u>	<u>87,214,550</u>	<u>1,900,323</u>	2%
Total revenues	<u>92,480,590</u>	<u>91,095,091</u>	<u>1,385,499</u>	2%
Program Expenses				
General support	10,203,397	10,879,563	(676,166)	-6%
Instruction	77,561,493	69,779,862	7,781,631	11%
Pupil transportation	4,167,688	4,048,270	119,418	3%
Debt service - Interest	546,054	608,119	(62,065)	-10%
Other	140,694	138,947	1,747	1%
School lunch program	<u>859,375</u>	<u>905,170</u>	<u>(45,795)</u>	-5%
Total expenses	<u>93,478,701</u>	<u>86,359,931</u>	<u>7,118,770</u>	8%
Change in net position	(998,111)	4,735,160	(5,733,271)	-121%
Net position - beginning of year	<u>47,315,009</u>	<u>42,579,849</u>	<u>4,735,160</u>	11%
Net position - end of year	<u>\$ 46,316,898</u>	<u>\$ 47,315,009</u>	<u>\$ (998,111)</u>	-2%

Changes in Net Position

Revenues:

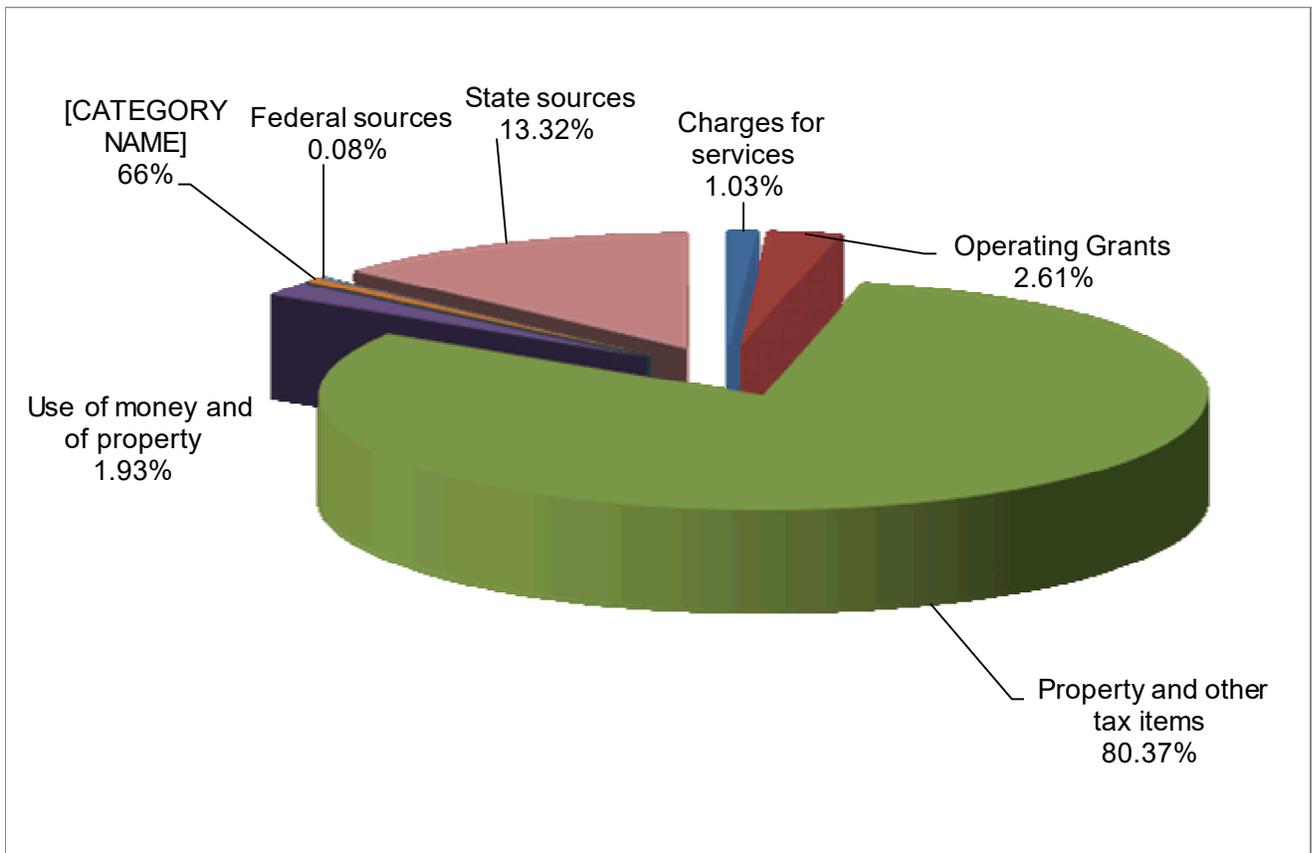
The District's total fiscal year 2017 revenues totaled \$92,480,589, increasing \$1,385,498 from fiscal year 2016, primarily from the increase in state aid, including the restoration of the Gap Elimination Adjustment by the NYS Legislature. Property taxes and state aid comprise 80.37% and 13.32%, respectively, of the District's total revenue.

Expenses:

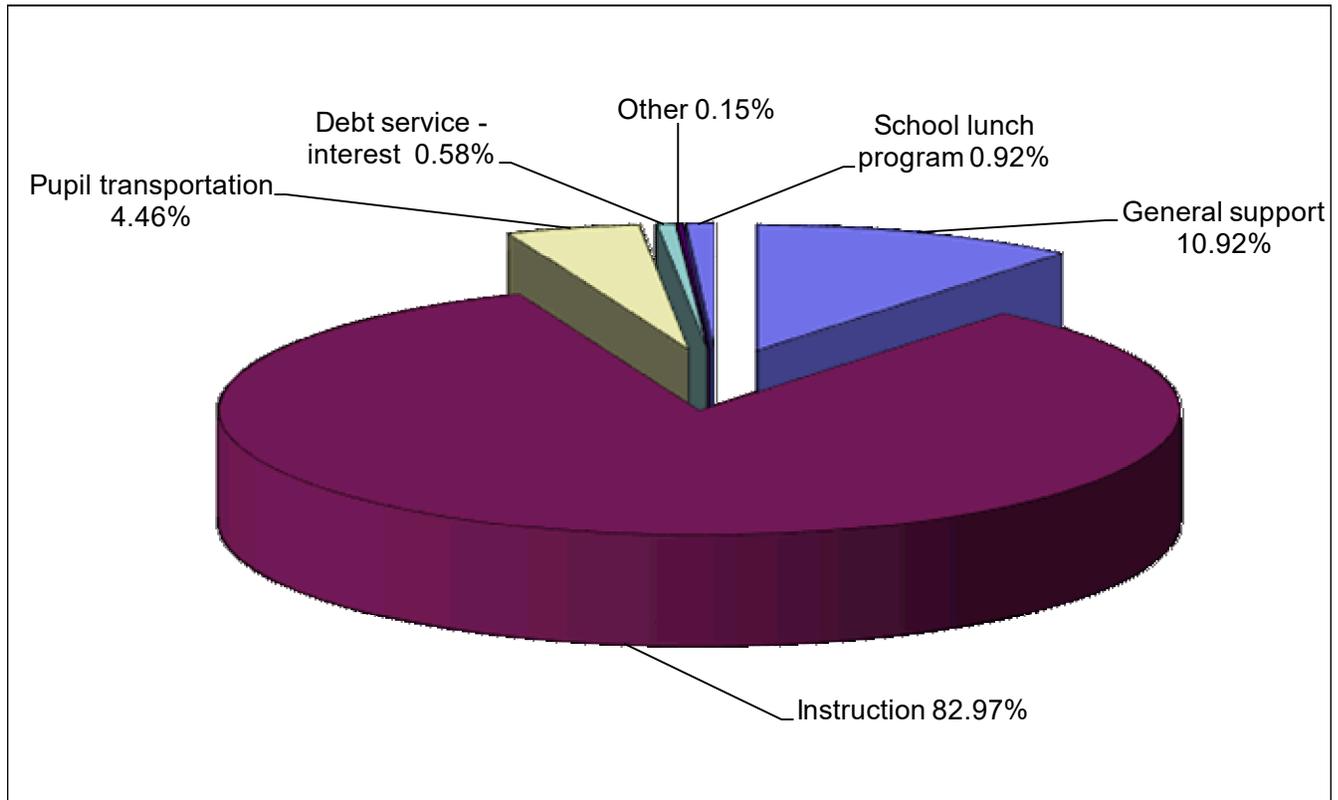
The total cost of all programs and services totaled \$93,478,701 for fiscal year 2017, increasing \$7,118,771 from fiscal year 2016. The 2017 expenses are predominantly related to the general instruction and caring for (pupil services) and transporting students which accounts for 87.43% of the District's total expenses. The District's general support activities account for 10.92% of total costs.

TRS GASB 68 pension expense increased from a \$1,721,472 credit in 2016 to a \$4,241,321 debit in 2017, a \$5.962,793 increase. This accounts for 82% of the increase in expenses on the Statement of Activities.

Sources of Revenues for Fiscal Year 2017



Expenses for Fiscal Year 2017



Financial Analysis of the School District's Funds

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

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School District's net resources available for discretionary use as it represents the portion of the fund balance which has not yet been limited to use for particular purpose by either an external party, the School District itself or an individual who has been delegated authority to assign resources for use for particular purposes by the Board of Education.

As of the end of the current fiscal year, the School District's governmental funds reported combined fund balances of \$29,003,427, an increase of \$5,367,852 from the prior year. Total fund balance includes: Nonspendable fund balance of \$6,881, Restricted fund balance of \$18,941,282, Assigned fund balance of \$6,496,599, and Unassigned fund balance of \$3,558,665.

The General Fund is the primary operating fund of the School District. At the end of the current fiscal year, the total fund balance of the General Fund was \$23,287,728, of which \$18,769,966 is Restricted, \$959,097 is Assigned for prior year encumbrances, and \$3,558,665 is Unassigned.

More detailed information about the School District's fund balance is presented in note 1 in the notes to the financial statements.

General Fund Budgetary Highlights

The difference between the original budget and the final budget was \$1,209,407. The adopted budget for the fiscal year 2016-17 of \$86,653,782, was increased by \$763,668 as a result of prior year encumbrances. During the fiscal year, appropriation transfers within the budget were made to address the operational needs of the School District. The final adjusted budget for the fiscal year ending June 30, 2017 was \$87,863,189. The change is attributable to appropriations from the Tax Certiorari Reserve to pay for refunds, appropriations from Employee Benefit Accrued Liability Reserve to cover unused sick day and vacation leave due to retirees, appropriation of the Unemployment Reserve to pay for unemployment expenses of former employees. In addition, there were increases to the final budget for the receipt of various grants.

Capital Assets

At June 30, 2017, the School District had \$56,842,329 net of accumulated depreciation, invested in a broad range of capital assets, including buildings and improvements, machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below.

Class	June 30,	
	2017	2016
Land	\$ 616,672	\$ 616,672
Construction in process	175,241	-
Buildings and improvements	54,782,569	55,913,004
Machinery and equipment	1,267,847	1,120,661
Total net capital assets, net of accumulated depreciation	<u>\$ 56,842,329</u>	<u>\$ 57,650,337</u>

More detailed information about the School District's capital assets is presented in the notes to the financial statements.

Long-Term Liabilities

At June 30, 2017, the School District had \$16,715,000 in serial bonds and other long-term debt outstanding, as follows:

	June 30,	
	2017	2016
Bonds payable and unamortized premium	\$ 18,769,985	\$ 20,486,934
Compensated absences	1,528,672	1,572,997
Net pension liability - ERS	1,502,402	2,566,849
Net pension liability - TRS	2,518,399	-
Workers' compensation claims payable	351,923	284,533
Insurance contract	18,579	-
Other postemployment benefits	39,951,147	32,884,590
Total	<u>\$ 64,641,107</u>	<u>\$ 57,795,903</u>

Detailed information pertaining to the School District's long-term liabilities is presented in Note 5 in the notes to the financial statements.

FACTORS BEARING ON THE FUTURE OF THE DISTRICT

The South Orangetown Central School District ended fiscal 2017 financially strong. Conservative spending practices allowed the School District to keep its unassigned fund balance at the 4% legal limitation. Other reserve accounts, especially the Capital Projects Reserve, continue to be funded each year. In these times of major economic uncertainty, the future financial stability of the School District is not without challenges. The School District must strive to maintain its long-standing commitment to academic excellence and educational opportunity for all students within a framework of financial fiduciary responsibility. School District Administration must provide the resources necessary to meet the needs of the students, while carefully controlling expenditures to assure tax levy increases are kept within the tax levy cap and spent prudently. Due to low inflation, the tax levy cap is expected to be minimal for the next few years.

School Districts throughout the state face a number of future financial challenges. Health care and prescription drug costs, as well as mandated retirement system contributions, continue to out-pace the ability to raise property taxes and levels of state funding. Despite the downward trend of Retirement Contribution percentages in the past few years, that trend is expected to reverse in the near future. The ability to attract the best and brightest talent and retain the talent already on staff requires the offering of increasingly competitive salary and benefits packages, making collective bargaining a challenging area for controlling costs. This is significant for two reasons. First, salaries and benefits make up the overwhelming majority of school budgets. Second, nearly all the District's collective bargaining agreements expire in June 2019, including the teachers' contract.

In order to meet these challenges and those yet to be identified, the District continues to use its Long-Range Plan and Capital Improvement Plan to forecast problems before they arise. These plans are continually updated and, based on new State requirements, will be posted on the District Website. In addition, the District owns several properties that are no longer needed for instruction due to declining enrollment. The properties are currently being leased to several different educational organizations under long-term leases. At this time, the District anticipates that these relationships will continue to provide revenues that may be used to fund a capital program and reduce the reliance on debt to maintain and improve infrastructure.

Effective June 30, 2009, the District implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions (OPEB). The School District continues to disclose the results from this actuarial study. At year end June 30, 2017 the School District shows an unfunded actuarial accrued liability of approximately \$40 million. While GASB Statement No. 45 requires accrual accounting and reporting, it does not require or provide a mechanism for advance funding of OPEB other than payment of the actual costs on an annual basis.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

South Orangetown Central School District
Sandra Winkler, CPA
School Business Administrator
160 Van Wyck Road
Blauvelt, New York 10913
(845) 680-1005

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS

CURRENT ASSETS:

Cash - unrestricted	\$ 18,517,691
Cash - restricted	14,390,783
Accounts receivable	130,283
State and federal aid receivable	1,996,355
Due from fiduciary funds	493
Due from other governments	615,832
Inventories	<u>6,881</u>

Total current assets 35,658,318

NONCURRENT ASSETS:

Capital assets, net	<u>56,842,329</u>
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TOTAL ASSETS 92,500,647

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - TRS pension	24,966,367
Deferred outflows of resources - ERS pension	1,177,082
Deferred outflows of resources - unamortized loss on refunding	<u>319,493</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES 26,462,942

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued expenses	1,976,936
Due to other governments	283
Unearned revenue	62,246
Due to Teachers' Retirement System	4,431,318
Due to Employees' Retirement System	184,108
Accrued interest payable	79,511
Long term liabilities due within one year	<u>1,710,339</u>

Total current liabilities 8,444,741

LONG-TERM LIABILITIES:

Bonds payable and unamortized bond premium, net of current portion	17,299,985
Compensated absences payable, net of current portion	1,420,672
Net pension liability - ERS	1,502,402
Net pension liability - TRS	2,518,399
Workers' compensation claims payable, net of current portion	221,923
Insurance contract, net of current portion	16,240
Other postemployment benefits payable	<u>39,951,147</u>

Total long-term liabilities 62,930,768

TOTAL LIABILITIES 71,375,509

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - TRS Pension	1,037,096
Deferred inflows of resources - ERS Pension	<u>234,086</u>

TOTAL DEFERRED INFLOWS OF RESOURCES 1,271,182

TOTAL LIABILITIES AND DEFERRED OUTFLOWS OF RESOURCES 72,646,691

NET POSITION

Net investment in capital assets	38,072,344
Restricted	18,941,282
Unrestricted	<u>(10,696,728)</u>

TOTAL NET POSITION \$ 46,316,898

The accompanying notes are an integral part of these statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

GOVERNMENTAL ACTIVITIES	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Change in Net Position</u>
FUNCTIONS/PROGRAMS:				
General support	\$ 10,203,397	\$ -	\$ -	\$ (10,203,397)
Instruction	77,561,493	297,821	1,936,927	(75,326,745)
Pupil transportation	4,167,688	-	-	(4,167,688)
Debt service - interest	546,054	-	-	(546,054)
Community services	140,694	-	189,525	48,831
School lunch program	<u>859,375</u>	<u>653,578</u>	<u>287,866</u>	<u>82,069</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 93,478,701</u>	<u>\$ 951,399</u>	<u>\$ 2,414,318</u>	(90,112,984)
GENERAL REVENUE:				
Real property taxes				67,588,349
Other tax items				6,738,267
Use of money and property				1,787,625
Sale of property and compensation for loss				856
State sources				12,321,013
Federal sources				77,102
Miscellaneous				<u>601,661</u>
TOTAL GENERAL REVENUE				<u>89,114,873</u>
CHANGE IN NET POSITION				(998,111)
TOTAL NET POSITION - beginning of year				<u>47,315,009</u>
TOTAL NET POSITION - end of year				<u><u>\$ 46,316,898</u></u>

The accompanying notes are an integral part of these statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**BALANCE SHEETS - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION
JUNE 30, 2017**

	General	Special Aid	Capital Projects	Debt Service	Non-Major Governmental	Total Governmental Funds
ASSETS						
Cash - unrestricted	\$ 12,599,661	\$ 2,412	\$ 3,674,812	\$ 1,755,963	\$ 484,843	\$ 18,517,691
Cash - restricted	14,198,590	-	-	-	192,193	14,390,783
Receivables:						
Accounts	125,240	-	-	-	5,043	130,283
State and federal aid	1,316,262	664,929	-	-	15,164	1,996,355
Due from other governments	615,832	-	-	-	-	615,832
Due from other funds	673,782	-	2,932	-	-	676,714
Inventories	-	-	-	-	6,881	6,881
TOTAL ASSETS	\$ 29,529,367	\$ 667,341	\$ 3,677,744	\$ 1,755,963	\$ 704,124	\$ 36,334,539
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Accounts payable and accrued expenses	\$ 1,604,351	\$ 6,046	\$ 234,000	\$ -	\$ 132,539	\$ 1,976,936
Due to other funds	2,932	632,923	-	-	40,366	676,221
Due to other governments	-	-	-	-	283	283
Due to retirement systems	4,615,426	-	-	-	-	4,615,426
Unearned revenue	18,930	1,517	-	-	41,799	62,246
TOTAL LIABILITIES	6,241,639	640,486	234,000	-	214,987	7,331,112
FUND BALANCE:						
Nonspendable	-	-	-	-	6,881	6,881
Restricted:						
Capital Projects	13,948,254	-	-	-	-	13,948,254
Unemployment benefits	50,000	-	-	-	-	50,000
Retirement contributions	1,163,341	-	-	-	-	1,163,341
Employee benefits	1,528,672	-	-	-	-	1,528,672
Tax certiorari	2,079,699	-	-	-	-	2,079,699
Special purposes	-	-	-	-	171,316	171,316
Assigned	959,097	26,855	3,443,744	1,755,963	310,940	6,496,599
Unrestricted	3,558,665	-	-	-	-	3,558,665
TOTAL FUND BALANCE	23,287,728	26,855	3,443,744	1,755,963	489,137	29,003,427
TOTAL LIABILITIES AND FUND BALANCE	\$ 29,529,367	\$ 667,341	\$ 3,677,744	\$ 1,755,963	\$ 704,124	\$ 36,334,539

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balances per above	\$ 29,003,427
Capital assets, net used in governmental activities are not financial resources and, therefore, are not reported in the funds	56,842,329
Pension related government wide activity	
Deferred outflows of resources -ERS	24,966,367
Deferred outflows of resources -TRS	1,177,082
Net pension liability - TRS	(1,502,402)
Net pension liability - ERS	(2,518,399)
Deferred inflows of resources - TRS	(1,037,096)
Deferred inflows of resources - ERS	(234,086)
	20,851,466
Deferred outflows from loss on defeasance on the advanced refunding are amortized on the Statement of Net Position over the life of the bond. Governmental funds recorded the loss on defeasance on the advanced refunding as an other financing source in the year of defeasance.	319,493
Long-term liabilities, including bonds payable, net of premiums are not due and payable in the current period, and, therefore, are not reported in the funds	(19,010,324)
Other postemployment benefits liability at year end is recorded in the government-wide statements under full accrual accounting.	(39,951,147)
Other long-term liabilities that are not due and payable in the current period are not reported in the funds:	
Accrued interest payable	(79,511)
Compensated absences	(1,420,672)
Insurance contract	(16,240)
Workers' compensation claims payable	(221,923)
	(1,738,346)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 46,316,898

The accompanying notes are an integral part of these statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	General	Special Aid	Capital Projects	Debt Service	Non-Major Governmental	Total Governmental Funds
REVENUES:						
Real property taxes	\$ 67,588,349	\$ -	\$ -	\$ -	\$ -	\$ 67,588,349
Other tax items	6,738,267	-	-	-	-	6,738,267
Charges for services	297,821	-	-	-	-	297,821
Use of money and property	1,696,542	-	-	91,083	-	1,787,625
Sale of property and compensation for loss	26,837	-	-	-	-	26,837
Miscellaneous	588,813	-	-	-	193,315	782,128
State sources	12,321,852	834,881	-	-	12,949	13,169,682
Federal sources	77,102	1,102,046	-	-	274,917	1,454,065
Food sales	-	-	-	-	653,578	653,578
	<u>89,335,583</u>	<u>1,936,927</u>	<u>-</u>	<u>91,083</u>	<u>1,134,759</u>	<u>92,498,352</u>
Total revenues						
EXPENDITURES:						
General support	8,752,222	-	-	-	-	8,752,222
Instruction	48,792,359	1,706,052	-	-	-	50,498,411
Pupil transportation	4,020,339	119,995	-	-	-	4,140,334
Community services	-	-	-	-	140,694	140,694
Employee benefits	19,113,731	196,783	-	-	-	19,310,514
Debt service - principal	-	-	-	1,500,000	-	1,500,000
Debt service - interest	-	-	-	740,424	-	740,424
Cost of food sales	-	-	-	-	923,472	923,472
Capital outlay	-	-	1,124,429	-	-	1,124,429
	<u>80,678,651</u>	<u>2,022,830</u>	<u>1,124,429</u>	<u>2,240,424</u>	<u>1,064,166</u>	<u>87,130,500</u>
Total expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,656,932</u>	<u>(85,903)</u>	<u>(1,124,429)</u>	<u>(2,149,341)</u>	<u>70,593</u>	<u>5,367,852</u>
OTHER SOURCES AND (USES):						
Operating transfers in	-	85,065	1,750,000	2,067,229	-	3,902,294
Operating transfers (out)	<u>(3,902,294)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,902,294)</u>
Total other sources (uses)	<u>(3,902,294)</u>	<u>85,065</u>	<u>1,750,000</u>	<u>2,067,229</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	4,754,638	(838)	625,571	(82,112)	70,593	5,367,852
FUND BALANCE - beginning of year	<u>18,533,090</u>	<u>27,693</u>	<u>2,818,173</u>	<u>1,838,075</u>	<u>418,544</u>	<u>23,635,575</u>
FUND BALANCE - end of year	<u>\$ 23,287,728</u>	<u>\$ 26,855</u>	<u>\$ 3,443,744</u>	<u>\$ 1,755,963</u>	<u>\$ 489,137</u>	<u>\$ 29,003,427</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balance - Total governmental funds	\$ 5,367,852
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	1,749,287
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(2,540,371)
Loss on disposition of asset is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(16,924)
Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(144,124)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	1,500,000
Amortization expense on premiums are not recorded as an expenditure in the government funds, but is recorded in the statement of activities	216,949
Accrued other postemployment benefits do not require the expenditure of current resources and is, therefore, not reported as expenditures in the governmental funds	(7,066,557)
Worker's compensation claims payable does not require the expenditure of current resources and is, therefore, not reported as expenditures in the governmental funds	(67,390)
Compensated absences does not require the expenditure of current resources and is, therefore, not reported as expenditures in the governmental funds	44,325
Life insurance contract does not require the expenditure of current resources and is, therefore, not reported as expenditures in the governmental funds	(18,579)
Accrued interest expense and amortization of deferred loss on refunding does not require the expenditure of current resources and is, therefore, not reported as expenditures in the governmental funds	<u>(22,579)</u>
Change in net position - Governmental activities	<u>\$ (998,111)</u>

The accompanying notes are an integral part of these statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**STATEMENT OF ASSETS and LIABILITIES - FIDUCIARY FUND
JUNE 30, 2017**

	<u>Agency</u>
ASSETS:	
Cash	\$ 152,857
Accounts receivable	20,207
Total assets	<u>\$ 173,064</u>
LIABILITIES:	
Due to other funds	\$ 493
Employee payroll deductions	29,882
Student activity funds	142,689
Total liabilities	<u>\$ 173,064</u>

The accompanying notes are an integral part of these statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

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

The School District participates in the Rockland County Board of Cooperative Educational Services ("BOCES"), a jointly governed entity. BOCES is a voluntary association of school districts in a geographic area that share planning, services and programs, which provide educational and support services. BOCES' governing board is elected based on the vote of members of the participating districts' governing boards. BOCES' budget is comprised of separate budgets for administrative, program and capital costs. BOCES charges the districts for program costs based on participation and for administrative and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school enrollment as defined in Education Law. Copies of BOCES' financial statement can be requested from Rockland County BOCES, 65 Parrott Road, West Nyack, New York 10994-0607.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Fund Types

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Categories (Continued)

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

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

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditure for specified purposes other than debt service or capital projects. The major special revenue fund of the School District is the Special Aid Fund. The Special Aid Fund is used to account for special projects or programs supported in whole or in part with Federal or State funds.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest maturing in future years.

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

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

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the School District in accordance with the terms of agreements or contractual arrangements for funds provided by groups, individuals or corporations.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, net pension liability, workers' compensation claims, and other post-employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions and accordingly, the School District's policy provides for no credit risk on investments.

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

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

The School District was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate of credit risk.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Property Taxes Receivable - Real property taxes attach as an enforceable lien on real property as of July 1st and are payable on September 1st. The various towns which are included in the levy are responsible for the billing and collection of the taxes through November 1st of the tax year at which time collection responsibility is transferred to the County of Rockland, New York ("County"). The County guarantees the full payment of the School District warrant and assumes responsibility for uncollected taxes.

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

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

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

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

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

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

<u>Class</u>	<u>Useful Life in Years</u>
Land Improvements	50
Buildings and Improvements	50
Furniture and Equipment	5-10
Vehicles	5-10

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has reported unearned revenues of \$18,930 for insurance contributions received in advance in the General Fund and \$41,799 for student deposits in the School Lunch Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

The School District reported deferred outflows of resources of \$319,493 for a deferred loss on refunding bonds in the district-wide Statement of Net Position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is being deferred and amortized over the shorter of the life of the refunded and refunding debt.

The School District reports deferred outflows of resources and deferred inflows of resources in relation to its pension obligations. These amounts are detailed in the discussion of the School District's pension plans in Note 5.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Net Position - Net position represent the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, granters, or laws or regulations of other governments. Net position on the Statement of Net Position include net investment in capital assets, restricted for capital projects, future capital projects, debt service, tax certiorari, retirement contributions, unemployment benefits and special purposes. The remaining balance is classified as unrestricted.

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

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

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

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Balance (Continued) -

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Education for the amounts assigned for balancing the subsequent year's budget or the Assistant Superintendent for Business for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

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

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

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

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

- a) The Board of Education holds several public budget development workshops attended by interested members of the community.
- b) At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- c) At the budget hearing, the voters may raise questions concerning the items contained in the budget.
- d) The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- e) The voters are permitted to vote upon the General Fund budget at the annual meeting.
- f) If the original proposed budget is not approved by the voters, the Board of Education has the option of either resubmitting the original or revising the budget for voter approval at a special meeting held at a later date; or the Board of Education may, at that point, adopt a contingency budget. If the Board of Education decides to submit either the original or a revised budget to the voters for a second time, and the voters do not approve the second budget submittal, the Board of Education must adopt a contingency budget and the tax levy cannot exceed the total tax levy of the prior year (0% levy growth). In addition, the administrative component of the contingency budget shall not comprise a greater percentage of the contingency budget exclusive of the capital component than the lesser of either 1) the percentage the administrative component had comprised in the prior year budget exclusive of the capital component; or 2) the percentage the administrative component had comprised in the last proposed defeated budget exclusive of the capital component.
- g) Formal budgetary integration is employed during the year as a management control device for General, Special Aid, and Debt Service funds.
- h) The budgets for General, Special Aid, and Debt Service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the School Lunch or Special Purpose funds.
- i) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts in excess of 10% of the original appropriation, at the function level, require approval by the Board of Education. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- j) Appropriations in General, Special Aid and Debt Service funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Limitation on Fund Balance

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

Property Tax Limitation

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

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

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

Adopted Accounting Pronouncements

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to assist financial statement users in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The District adopted the provisions of Statement No. 77 for the year ending June 30, 2017, with no material effect on the financial statements or disclosures.

3. DUE FROM/TO OTHER FUNDS

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

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund	\$ 673,782	\$ 2,932
Special aid fund	-	632,923
Capital projects funds	2,932	-
Non-major funds	-	40,366
Fiduciary funds	-	493
Total	<u>\$ 676,714</u>	<u>\$ 676,714</u>

3. DUE FROM/TO OTHER FUNDS (Continued)

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

4. CAPITAL ASSETS

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

	2016 Balance	Additions/ Adjustments	Deletions/ Adjustments	2017 Balance
Capital assets, not being depreciated:				
Land	\$ 616,672	\$ -	\$ -	\$ 616,672
Construction-in-progress	-	175,241	-	175,241
Total capital assets, not being depreciated	<u>616,672</u>	<u>175,241</u>	<u>-</u>	<u>791,913</u>
Capital assets, being depreciated:				
Land improvements	6,393,190	131,660	13,210	6,511,640
Buildings and improvements	89,423,232	1,103,464	-	90,526,696
Furniture and equipment	1,804,059	284,001	27,290	2,060,770
Vehicles	473,699	54,921	45,144	483,476
Total capital assets, being depreciated	<u>98,094,180</u>	<u>1,574,046</u>	<u>85,644</u>	<u>99,582,582</u>
Less accumulated depreciation:				
Land improvements	2,605,580	319,272	9,412	2,915,440
Buildings and improvements	37,297,838	2,042,489	-	39,340,327
Furniture and equipment	820,575	132,238	14,164	938,649
Vehicles	336,522	46,372	45,144	337,750
Total accumulated depreciation	<u>41,060,515</u>	<u>2,540,371</u>	<u>68,720</u>	<u>43,532,166</u>
Total capital assets, being depreciated, net	<u>57,033,665</u>	<u>(966,325)</u>	<u>16,924</u>	<u>56,050,416</u>
Total capital assets, net	<u>\$ 57,650,337</u>	<u>\$ (791,084)</u>	<u>\$ 16,924</u>	<u>\$ 56,842,329</u>

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

General government support	\$ 80,819
Instruction	2,451,496
Cost of sales	<u>8,056</u>
Total Depreciation	<u>\$ 2,540,371</u>

5. LONG-TERM LIABILITIES

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

	2016			2017	
	Balance	Additions	Deletions	Balance	Due Within One Year
Bonds payable	\$ 18,215,000	\$ -	\$ 1,500,000	\$ 16,715,000	\$ 1,470,000
Plus: unamortized premium on bonds	2,271,934	-	216,949	2,054,985	-
Total bonds payable	<u>20,486,934</u>	<u>-</u>	<u>1,716,949</u>	<u>18,769,985</u>	<u>1,470,000</u>
Other non-current liabilities:					
Compensated absences	1,572,997	71,722	116,047	1,528,672	108,000
Net pension liability - ERS	2,566,849	-	1,064,447	1,502,402	-
Net pension liability - TRS	-	2,518,399	-	2,518,399	-
Workers' compensation claims payable	284,533	200,538	133,148	351,923	130,000
Insurance contract	-	20,918	2,339	18,579	2,339
Other postemployment benefits	32,884,590	11,675,995	4,609,438	39,951,147	-
Total other non-current liabilities	<u>37,308,969</u>	<u>14,487,572</u>	<u>5,925,419</u>	<u>45,871,122</u>	<u>240,339</u>
Total long-term liabilities	<u>\$ 57,795,903</u>	<u>\$ 14,487,572</u>	<u>\$ 7,642,368</u>	<u>\$ 64,641,107</u>	<u>\$ 1,710,339</u>

The School District's indebtedness for bonds, compensated absences, net pension liabilities, workers' compensation claims payable, insurance contracts, and other post-employment benefit obligations are satisfied by the General Fund.

Bonds Payable

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

Bond Issue	Issued	Original Issue Amount	Final Maturity	Interest Rate	2017 Balance
Serial bonds	2008	\$ 2,000,000	12/15/2018	4.05 - 4.35%	\$ 1,105,000
Serial bonds	2011	3,750,000	8/1/2026	5.00%	2,615,000
Refunding bonds	2016	13,530,000	12/1/2026	2.0 - 5.0%	12,995,000
					<u>\$ 16,715,000</u>

Interest expenditures of \$740,424 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$546,054 was recorded in the district-wide financial statements.

5. LONG-TERM LIABILITIES (Continued)

Payments to Maturity

The annual requirements to amortize all outstanding bonded debt at June 30, 2017, including interest payments of \$2,960,076 are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,470,000	\$ 671,855	\$ 2,141,855
2019	1,550,000	602,269	2,152,269
2020	1,615,000	529,257	2,144,257
2021	1,690,000	452,887	2,142,887
2022	1,760,000	37,027	1,797,027
2023-2027	<u>8,630,000</u>	<u>666,781</u>	<u>9,296,781</u>
Total	<u>\$ 16,715,000</u>	<u>\$ 2,960,076</u>	<u>\$ 19,675,076</u>

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

Compensated Absences

Pursuant to collective bargaining agreements, certain employees may accumulate sick leave. Upon separation of service or retirement, these employees will be compensated for accumulated sick leave based upon the terms of their respective agreement. The value of the compensated absences has been reflected in the district-wide financial statements.

Pension Plans

Employees' Retirement System

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

5. LONG-TERM LIABILITIES (Continued)

Pension Plans (Continued)

Employees' Retirement System (Continued)

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

<u>Tier/Plan</u>	<u>Rate</u>
1 75I	21.8 %
2 75I	19.9
3 A14	16.1
4 A15	16.1
5 A15	13.2
6 A15	9.4
6 A15	9.4

At June 30, 2017, the School District reported a liability of \$1,502,402 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. At March 31, 2017, the School District's proportion was .0159894% which was a decrease of .0000032% from its proportion measured at March 31, 2016.

For the year ended June 30, 2016, the School District recognized pension expense in the district-wide financial statements of \$905,123. Pension expenditures of \$712,260 and \$10,763 were charged in the General Fund and the School Lunch Fund, respectively. At June 30, 2017, the School District reported deferred outflows of resources to ERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 37,649	\$ 228,148
Changes of Assumptions	513,275	-
Net difference between projected and actual earnings on pension plan investments	300,090	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	141,960	5,938
Contributions subsequent to the measurement date	184,108	-
	<u>\$ 1,177,082</u>	<u>\$ 234,086</u>

5. LONG-TERM LIABILITIES (Continued)

Pension Plans (Continued)

Employees' Retirement System (Continued)

\$184,108 reported as deferred outflows of resources related to ERS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2018	\$	1,828,911
2019		1,828,911
2020		6,226,709
2021		4,858,426
2022		2,270,068
Thereafter		<u>2,622,797</u>
	\$	<u>19,635,822</u>

The total pension liability for the March 31, 2017 measurement date was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. Significant actuarial assumptions used in the April 1, 2015 valuation were as follows:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8 percent indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

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

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

The long-term expected rate of return on pension plan investments was determined 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

5. LONG-TERM LIABILITIES (Continued)

Pension Plans (Continued)

Employees' Retirement System (Continued)

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

Asset Class	Target Allocations	Long-term expected real rate of return
Domestic Equity	36%	4.55%
International Equity	14%	6.35%
Private Equity	10%	7.75%
Real Estate	10%	5.80%
Absolute Return	2%	4.00%
Opportunistic Portfolio	3%	5.89%
Real Asset	3%	5.54%
Bonds, Cash & Mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation Indexed Bonds	4%	1.50%
	100%	

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

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

	1 % Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Proportionate Share of Net Pension liability (asset)	\$ 4,798,373	\$ 1,502,402	\$ (1,284,336)

5. LONG-TERM LIABILITIES (Continued)

Pension Plans (Continued)

Employees' Retirement System (Continued)

The components of the collective net pension measurement date were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 177,400,586,000	\$ 28,365,289	0.0159894%
Net position	<u>(168,004,363,000)</u>	<u>(26,862,887)</u>	0.0159894%
Net pension liability (asset)	<u>\$ 9,396,223,000</u>	<u>\$ 1,502,402</u>	0.0159894%
Fiduciary net position as a percentage of total pension liability	94.70%	94.70%	

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Accrued retirement contributions to ERS as of June 30, 2017 were \$184,108.

Teachers' Retirement System

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

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

At June 30, 2017, the School District reported a liability of \$2,518,399 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The School District's proportion of the net pension asset was based on the School District's contributions to the pension plan relative to the contributions of all participating members.

5. LONG-TERM LIABILITIES (Continued)

Pension Plans (Continued)

Teachers' Retirement System (Continued)

At June 30, 2016, the School District's proportion was .235136%, which was a decrease of .0112% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense/expenditure of \$4,241,321 and \$4,279,297, respectively. Pension expenditures of \$4,209,990 and \$69,307 were charged to the General Fund and Special Aid Fund, respectively. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 818,117
Changes of Assumptions	14,346,406	-
Net difference between projected and actual earnings on pension plan investments	5,662,686	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	663,824	218,979
Contributions subsequent to the measurement date	4,293,451	-
	<u>\$ 24,966,367</u>	<u>\$ 1,037,096</u>

\$4,293,451 reported as deferred outflows of resources related to TRS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TRS will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2018	\$ 1,828,911
2019	1,828,911
2020	6,226,709
2021	4,858,426
2022	2,270,068
Thereafter	2,622,797
	<u>\$ 19,635,822</u>

5. LONG-TERM LIABILITIES (Continued)

Pension Plans (Continued)

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

Inflation	2.50%										
Projected Salary Increases	Rates of increase differ based on service They have been calculated based upon recent NYSTRS member experience.										
	<table> <thead> <tr> <th><u>Service</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>5</td> <td>4.72%</td> </tr> <tr> <td>15</td> <td>3.46%</td> </tr> <tr> <td>25</td> <td>2.37%</td> </tr> <tr> <td>35</td> <td>1.90%</td> </tr> </tbody> </table>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Projected COLAs	1.5% compounded annually										
Investment Rate of Return	7.5% compounded annually, net of pension plan investment expense, including inflation.										

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

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

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

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-term expected real rate of return</u>
Domestic Equity	37%	6.10%
International Equity	18%	7.30%
Real Estate	10%	5.40%
Private Equities	7%	9.20%
Domestic Fixed Income Securities	17%	1.00%
Global Fixed Income Securities	2%	0.80%
Mortgages	8%	3.10%
Short-term	1%	0.10%
	<u>100%</u>	

5. LONG-TERM LIABILITIES (Continued)

Pension Plans (Continued)

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

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

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

	1 % Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Proportionate Share of Net Pension liability (asset)	\$ 32,858,244	\$ 2,518,399	\$ (22,929,072)

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

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 108,577,184,039	\$ 255,304,047	0.2351360%
Net position	(107,506,142,099)	(252,785,648)	0.2351360%
Net pension liability (asset)	\$ 1,071,041,940	\$ 2,518,399	0.2351360%
Fiduciary net position as a percentage of total	99.01%	99.01%	

Employer and employee contributions for the year ended June 30, 2017 are paid to TRS in the following fiscal year through a state aid intercept or, if state aid is insufficient, through a payment by the School District to TRS. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employers' contribution rate plus employee contributions for the fiscal year as reported to TRS. Accrued retirement contributions to TRS as of June 30, 2017 were \$4,431,318.

5. LONG-TERM LIABILITIES (Continued)

Pension Plans (Continued)

Voluntary Defined Contribution Plan

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

Workers' Compensation Claims Payable

The District participates in a risk sharing pool, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. The District's share of the liability for unbilled and open claims is \$351,923. Claims activity is summarized below:

	<u>2017</u>	<u>2016</u>
Unpaid claims at beginning of year	\$ 284,533	\$ 422,543
Incurred claims and claim adjustment expenses	200,538	41,799
Claim payments	<u>(133,148)</u>	<u>(179,809)</u>
Unpaid claims at year end	<u>\$ 351,923</u>	<u>\$ 284,533</u>

Other Post Employment Benefit Obligations Payable

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

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

5. LONG-TERM LIABILITIES (Continued)

Other Post Employment Benefit Obligations Payable (Continued)

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

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

The amortization basis is the level dollar method with an open amortization approach with 21 years remaining in the amortization period. The actuarial assumptions included a 4% discount rate, and an annual healthcare cost trend of 9%, and then reduced by decrements to an ultimate rate of 5.00% after 5 years. The School District currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the projected unit credit method.

The School District's OPEB plan had approximately 500 active and 300 retired participants as of June 30, 2017.

Amortization Component:	
Actuarial Accrued Liability as of July 1, 2016	\$ 162,868,719
Assets at Fair Value	-
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 162,868,719</u>
Funded Ratio	0.00%
Covered Payroll (Active plan members)	\$ 42,166,871
UAAL as a Percentage of Covered Payroll	386%
Annual required contribution	\$ 8,173,704
Interest on net OPEB obligation	1,315,384
Adjustment to ARC	<u>2,186,907</u>
Annual OPEB cost (expense)	11,675,995
Contributions made	<u>(4,609,438)</u>
Increase in net OPEB obligation	7,066,557
Net OPEB obligation - beginning of year	<u>32,884,590</u>
Net OPEB obligation - end of year	<u>\$ 39,951,147</u>
Percentage of annual OPEB cost contributed	39%

5. LONG-TERM LIABILITIES (Continued)

Other Post Employment Benefit Obligations Payable (Continued)

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

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>% of ARC Contributed</u>	<u>OPEB Obligation</u>
6/30/2017	\$ 11,675,995	\$ 4,609,438	39.48%	\$ 39,951,147
6/30/2016	11,192,079	4,049,148	36.18%	32,884,590
6/30/2015	6,981,162	3,909,451	56.00%	25,741,630

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

6. INTERFUND TRANSFERS

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

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
General fund	\$ 85,065	\$ 1,750,000	\$ 2,067,229	\$ 3,902,294

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

7. COMMITMENTS AND CONTINGENCIES

Litigation

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

Contingencies

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

7. **COMMITMENTS AND CONTINGENCIES (Continued)**

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

Risk Management

The School District and other school districts have formed a self-funded insurance company ("Company") to be owned by these districts. There are presently 340 New York State school districts who subscribe to the Company. This Company operates under an agreement effective July 1, 1989. The purpose of the Company is to provide general liability, school board legal liability, auto liability and auto physical damage coverage, excess insurance, equipment floaters, boilers and machinery insurance and all risk building and contents. In addition, as part of the reciprocal program, crime and bond coverages will be purchased from commercial carriers and be available to the subscriber districts. The Company retains a management company, which is responsible for the overall supervision and management of the reciprocal. The reciprocal is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts. The subscribers have elected those who sit on the board and each subscriber has a single vote. The Company is an "assessable" insurance company, in that, the subscribers are severally liable for any financial shortfall of the Company and can be assessed their proportionate share by the State Insurance Department if the funds of the Company are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimal capital contribution. The School District purchases various insurance coverages from the Company to reduce its exposure to loss. The School District maintains general liability insurance coverage with policy limits of \$1 million per occurrence and unlimited general aggregate and an excess liability policy which provides coverage up to \$25 million. The School District also maintains liability for school board members with policy limits of \$1 million. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District participates in a risk sharing pool, the Rockland County Workers' Compensation Plan, in order to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. The Plan's actuary projects that there are sufficient assets in the workers' compensation pool to offset any potential liability.

For its employee health and hospitalization insurance coverage, the School District is a participant in the New York State Employees Health Insurance Plan, a public entity risk pool operated for the benefit of New York State employers and employees of all local governments and public school districts. The Plan is considered a self-sustaining risk pool, to which the School District has essentially transferred all related risk.

8. RELEVANT ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employer and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The School District is required to adopt the provisions of these Statements for the year ending June 30, 2018.

In March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The Statement addresses issues related to the presentation of payroll related measures in required supplementary information, selection of assumptions and the treatment of deviations and classification of payments made by employers to meet employee contribution requirements. The Statement takes effect for reporting periods beginning after June 15, 2016 except for the selection of assumptions in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end in which the effective date is on or after June 15, 2017. Earlier adoption is encouraged.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations (GASB 83)*. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The District is required to adopt the provisions of these Statements for the year ending June 30, 2019.

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District is required to adopt the provisions of these Statements for the year ending June 30, 2020.

The District has not assessed the impact of these statements on its future financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUE					
Local sources:					
Real property taxes	\$ 74,257,605	\$ 67,586,444	\$ 67,588,349		\$ 1,905
Other tax items	82,169	6,753,330	6,738,267		(15,063)
Charges for services	299,390	299,390	297,821		(1,569)
Use of money and property	1,614,548	1,614,548	1,696,542		81,994
Sale of property and compensation for loss	-	-	26,837		26,837
Miscellaneous	<u>125,000</u>	<u>125,000</u>	<u>588,813</u>		<u>463,813</u>
Total local sources	<u>76,378,712</u>	<u>76,378,712</u>	<u>76,936,629</u>		<u>557,917</u>
State sources	10,275,070	10,275,070	12,321,852		2,046,782
Federal sources	<u>-</u>	<u>-</u>	<u>77,102</u>		<u>77,102</u>
Total revenue	<u>\$ 86,653,782</u>	<u>\$ 86,653,782</u>	<u>\$ 89,335,583</u>		<u>\$ 2,681,801</u>

(Continued)

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED) (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	\$ 70,693	\$ 68,968	\$ 55,645	\$ 198	\$ 13,125
Central administration	381,213	370,873	360,682	-	10,191
Finance	909,415	834,406	797,222	-	37,184
Staff	712,235	776,307	723,715	-	52,592
Central services	5,745,478	6,640,376	5,877,694	533,292	229,390
Special items	<u>951,344</u>	<u>1,220,141</u>	<u>937,264</u>	<u>252,520</u>	<u>30,357</u>
Total general support	<u>8,770,378</u>	<u>9,911,071</u>	<u>8,752,222</u>	<u>786,010</u>	<u>372,839</u>
INSTRUCTION:					
Instruction, administration, and improvement	3,361,252	3,553,666	3,457,372	29,689	66,605
Teaching - regular school	26,272,189	25,980,447	25,650,251	77,437	252,759
Programs for children with handicapping conditions	11,348,289	11,351,219	11,093,473	8,094	249,652
Teaching - special school	92,906	92,906	80,105	-	12,801
Occupational education	730,279	669,206	585,603	-	83,603
Instructional media	3,745,734	3,880,620	3,601,315	52,668	226,637
Pupil services	<u>4,423,527</u>	<u>4,524,025</u>	<u>4,324,240</u>	<u>-</u>	<u>199,785</u>
Total instruction	<u>49,974,176</u>	<u>50,052,089</u>	<u>48,792,359</u>	<u>167,888</u>	<u>1,091,842</u>
Pupil transportation	4,066,237	4,111,470	4,020,339	5,199	85,932
Employee benefits	<u>19,940,762</u>	<u>19,886,265</u>	<u>19,113,731</u>	<u>-</u>	<u>772,534</u>
Total expenditures	<u>82,751,553</u>	<u>83,960,895</u>	<u>80,678,651</u>	<u>959,097</u>	<u>2,323,147</u>
OTHER FINANCING SOURCES (USES)					
Transfers (to) other funds	<u>(3,902,229)</u>	<u>(3,902,294)</u>	<u>(3,902,294)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,902,229)</u>	<u>(3,902,294)</u>	<u>(3,902,294)</u>	<u>-</u>	<u>-</u>
Total expenditures and other financing sources (uses)	<u>86,653,782</u>	<u>87,863,189</u>	<u>84,580,945</u>	<u>959,097</u>	<u>2,323,147</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (1,209,407)</u>	4,754,638		
FUND BALANCE - beginning of year			<u>18,533,090</u>		
FUND BALANCE - end of year			<u>\$ 23,287,728</u>		

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS PLAN (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL)</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Covered Payroll</u>	<u>((b-a)/c) UAAL as a percentage of Covered Payroll</u>
July 1, 2016	-	\$ 162,868,719	\$ 162,868,719	-	\$ 42,166,871	386%
July 1, 2015	-	155,673,128	155,673,128	-	41,945,187	371%
July 1, 2014	-	111,348,088	111,348,088	-	42,882,381	260%

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0159894%	0.0159926%	0.0163551%							
Proportionate share of the net pension liability (asset)	\$ 1,502.40	\$ 2,566.80	\$ 552.50							
Covered-employee payroll	\$ 4,644.51	\$ 4,275.00	\$ 4,578.00							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32%	60%	12%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	95%	91%	98%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.2351360%	0.2463390%	0.2383800%							
Proportionate share of the net pension liability (asset)	\$ 2,518.40	\$ (25,587.00)	\$ (26,554.00)							
Covered-employee payroll	\$ 36,633.54	\$ 36,572.00	\$ 37,076.00							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7%	-70%	-72%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	99%	110%	111%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 725	\$ 719	\$ 932							
Contributions in relation to the contractually required contribution	725	719	932							
Contribution deficiency (excess)	-	-	-							
Covered-employee payroll	4,645	4,275	4,578							
Contributions as a percentage of covered-employee payroll	16%	17%	20%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 4,811	\$ 4,825	\$ 6,411							
Contributions in relation to the contractually required contribution	4,811	4,825	6,411							
Contribution deficiency (excess)	-	-	-							
Covered-employee payroll	36,634	36,572	37,076							
Contributions as a percentage of covered-employee payroll	13%	13%	17%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

OTHER SUPPLEMENTARY INFORMATION

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

GENERAL FUND COMPARATIVE BALANCE SHEET JUNE 30, 2017 and 2016

	2017	2016
ASSETS		
Cash - unrestricted	\$ 12,599,661	\$ 11,023,013
Cash - restricted	14,198,590	14,303,271
Receivables		
Accounts	125,240	197,197
State and federal aid	1,316,262	1,446,410
Due from other governments	615,832	853,163
Due from other funds	673,782	598,691
TOTAL ASSETS	\$ 29,529,367	\$ 28,421,745
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,604,351	\$ 4,685,830
Due to other funds	2,932	-
Due to other governments	-	56,175
Due to retirement systems	4,615,426	5,119,701
Unearned revenue	18,930	26,949
TOTAL LIABILITIES	6,241,639	9,888,655
FUND BALANCE:		
Restricted:		
Capital Projects	13,948,254	9,884,596
Unemployment benefits	50,000	50,000
Retirement contributions	1,163,341	1,162,428
Employee benefits	1,528,672	1,461,214
Tax certiorari	2,079,699	1,745,033
Assigned	959,097	763,668
Unrestricted	3,558,665	3,466,151
TOTAL FUND BALANCE	23,287,728	18,533,090
TOTAL LIABILITIES AND FUND BALANCE	\$ 29,529,367	\$ 28,421,745

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

GENERAL FUND
 COMPARATIVE SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	2017				2016					
	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
REVENUES										
Real property taxes	\$ 74,257,605	\$ 67,586,444	\$ 67,588,349		\$ 1,905	\$ 74,082,268	\$ 67,200,896	\$ 67,193,502		\$ (7,394)
Other tax items										
School tax relief reimbursement	-	6,671,161	6,671,161		-	-	6,881,372	6,881,372		-
Payments in lieu of taxes	82,169	82,169	67,106		(15,063)	80,336	80,336	80,273		(63)
Charges for services										
Day school tuition - other districts	200,000	200,000	196,084		(3,916)	300,000	300,000	212,316		(87,684)
Continuing education tuition - individuals	99,390	99,390	88,021		(11,369)	99,390	99,390	77,023		(22,367)
Admissions	-	-	13,584		13,584	14,700	14,700	13,766		(934)
Other charges for services	-	-	132		132	3,500	3,500	-		(3,500)
Use of money and property										
Earnings on investments	25,000	25,000	40,380		15,380	50,000	50,000	32,637		(17,363)
Rental of real property	1,589,548	1,589,548	1,656,162		66,614	706,574	706,574	1,556,445		849,871
Sale of property and compensation for loss										
Sale of equipment	-	-	20,900		20,900	-	-	755		755
Insurance recoveries	-	-	1,641		1,641	-	-	25,056		25,056
Other	-	-	4,296		4,296	3,500	3,500	6,819		3,319
Miscellaneous										
Other	-	-	31,343		31,343	-	-	24,862		24,862
Gifts and donations	-	-	8,950		8,950	-	-	9,696		9,696
Refunds of prior year's expenditures	125,000	125,000	548,520		423,520	300,000	300,000	349,715		49,715
State Aid										
Basic formula	7,071,848	7,071,848	8,570,243		1,498,395	6,992,483	6,992,483	7,698,931		706,448
# BOCES	1,300,000	1,300,000	1,813,878		513,878	1,390,094	1,390,094	1,761,904		371,810
Lottery aid	1,549,660	1,549,660	1,493,472		(56,188)	1,544,660	1,544,660	1,410,767		(133,893)
Textbook aid	193,216	193,216	189,138		(4,078)	197,177	197,177	193,798		(3,379)
Computer software aid	66,888	66,888	66,345		(543)	67,810	67,810	67,790		(20)
Library aid	19,993	19,993	19,831		(162)	20,387	20,387	20,381		(6)
Tuition aid	73,465	73,465	69,214		(4,251)	78,003	78,003	72,721		(5,282)
Disaster assistance	-	-	-		-	-	-	3,607		3,607
Other	-	-	99,731		99,731	-	65,000	200,349		135,349
Federal Aid										
Medical assistance	-	-	77,102		77,102	39,000	39,000	54,410		15,410
Total revenues	86,653,782	86,653,782	89,335,583		2,681,801	85,969,882	86,034,882	87,948,895		1,914,013

(Continued)

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED) (Continued)
FOR THE YEARS ENDED JUNE 30, 2017 and 2016**

	2017					2016				
	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Variance with Budgetary Actual and Encumbrances	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Variance with Budgetary Actual and Encumbrances
EXPENDITURES										
GENERAL SUPPORT:										
Board of education	70,693	68,968	55,645	198	13,125	60,437	62,737	53,894	-	8,843
Central administration	381,213	370,873	360,682	-	10,191	371,002	388,941	387,951	-	990
Finance	909,415	834,406	797,222	-	37,184	902,499	931,520	840,476	-	91,044
Staff	712,235	776,307	723,715	-	52,592	707,756	730,225	659,113	17,040	54,072
Central services	5,745,478	6,640,376	5,877,694	533,292	229,390	6,035,264	6,598,294	5,809,995	520,560	267,739
Special items	951,344	1,220,141	937,264	252,520	30,357	932,519	1,161,527	1,097,014	27,117	37,396
Total general support	8,770,378	9,911,071	8,752,222	786,010	372,839	9,009,477	9,873,244	8,848,443	564,717	460,084
INSTRUCTION:										
Instruction, administration, and improvement	3,361,252	3,553,666	3,457,372	29,689	66,605	3,242,783	3,430,635	3,248,298	37,257	145,080
Teaching - regular school	26,272,189	25,980,447	25,650,251	77,437	252,759	26,171,987	25,853,358	25,504,346	58,580	290,432
Programs for children with handicapping conditions	11,348,289	11,351,219	11,093,473	8,094	249,652	11,660,626	11,416,808	10,984,904	4,687	427,217
Teaching - special school	92,906	92,906	80,105	-	12,801	92,530	92,530	75,714	-	16,816
Occupational education	730,279	669,206	585,603	-	83,603	689,908	669,544	624,308	-	45,236
Instructional media	3,745,734	3,880,620	3,601,315	52,668	226,637	3,686,521	3,707,846	3,407,774	90,896	209,176
Pupil services	4,423,527	4,524,025	4,324,240	-	199,785	4,296,338	4,371,127	4,125,441	7,531	238,155
Total instruction	49,974,176	50,052,089	48,792,359	167,888	1,091,842	49,840,693	49,541,848	47,970,785	198,951	1,372,112
Pupil transportation	4,066,237	4,111,470	4,020,339	5,199	85,932	3,995,040	4,004,654	3,919,451	-	85,203
Employee benefits	19,940,762	19,886,265	19,113,731	-	772,534	19,816,847	19,909,696	19,056,058	-	853,638
Total expenditures	82,751,553	83,960,895	80,678,651	959,097	2,323,147	82,662,057	83,329,442	79,794,737	763,668	2,771,037
OTHER FINANCING SOURCES (USES)										
Transfers (to) other funds	(3,902,229)	(3,902,294)	(3,902,294)	-	-	(3,960,637)	(3,960,637)	(3,872,873)	-	87,764
Total other financing sources (uses)	(3,902,229)	(3,902,294)	(3,902,294)	-	-	(3,960,637)	(3,960,637)	(3,872,873)	-	87,764
Total expenditures and other financing sources	86,653,782	87,863,189	84,580,945	959,097	2,323,147	86,622,694	87,290,079	83,667,610	763,668	2,858,801
NET CHANGE IN FUND BALANCE	-	(1,209,407)	4,754,638			(652,812)	(1,255,197)	4,281,285		
FUND BALANCE - beginning of year			18,533,090					14,251,805		
FUND BALANCE - end of year			23,287,728					18,533,090		

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SPECIAL AID FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash - unrestricted	\$ 2,412	\$ 2,129
Receivables		
State and federal aid	<u>664,929</u>	<u>637,847</u>
 TOTAL ASSETS	 <u>\$ 667,341</u>	 <u>\$ 639,976</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 6,046	\$ 73,832
Due to other funds	632,923	536,725
Due to other governments	-	1,726
Unearned revenue	<u>1,517</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>640,486</u>	 <u>612,283</u>
 FUND BALANCE:		
Assigned	<u>26,855</u>	<u>27,693</u>
 TOTAL FUND BALANCE	 <u>26,855</u>	 <u>27,693</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 667,341</u>	 <u>\$ 639,976</u>

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

SPECIAL AID FUND
 COMPARATIVE SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	2017				2016			
	Original Budget	Final Budget	Actual	Variance with final budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with final budget Positive (Negative)
REVENUE:								
State sources	\$ 850,837	\$ 850,837	\$ 834,881	\$ (15,956)	\$ 860,147	\$ 860,147	\$ 781,301	\$ (78,846)
Federal sources	<u>1,230,088</u>	<u>1,306,955</u>	<u>1,102,046</u>	<u>(204,909)</u>	<u>1,316,131</u>	<u>1,395,623</u>	<u>1,228,938</u>	<u>(166,685)</u>
Total revenue	<u>2,080,925</u>	<u>2,157,792</u>	<u>1,936,927</u>	<u>(220,865)</u>	<u>2,176,278</u>	<u>2,255,770</u>	<u>2,010,239</u>	<u>(245,531)</u>
EXPENDITURES:								
Instruction	1,813,543	1,913,494	1,706,052	207,442	1,873,314	1,948,967	1,741,558	207,409
Transportation	143,559	120,730	119,995	735	142,453	142,453	97,051	45,402
Employee benefits	<u>212,665</u>	<u>212,410</u>	<u>196,783</u>	<u>15,627</u>	<u>250,573</u>	<u>254,412</u>	<u>244,188</u>	<u>10,224</u>
Total expenditures	<u>2,169,767</u>	<u>2,246,634</u>	<u>2,022,830</u>	<u>223,804</u>	<u>2,266,340</u>	<u>2,345,832</u>	<u>2,082,797</u>	<u>263,035</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(88,842)	(88,842)	(85,903)	(2,939)	(90,062)	(90,062)	(72,558)	(17,504)
OTHER FINANCING SOURCES								
Transfers in	<u>88,842</u>	<u>88,842</u>	<u>85,065</u>	<u>3,777</u>	<u>90,062</u>	<u>90,062</u>	<u>73,150</u>	<u>16,912</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(838)</u>	<u>(838)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>592</u>	<u>592</u>
FUND BALANCE - beginning of year			<u>27,693</u>	<u>27,693</u>			<u>27,101</u>	<u>27,101</u>
FUND BALANCE - end of year			<u>\$ 26,855</u>	<u>\$ 26,855</u>			<u>\$ 27,693</u>	<u>\$ 27,693</u>

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash - unrestricted	\$ 3,674,812	\$ 2,891,415
Receivables:		
Due from other funds	<u>2,932</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 3,677,744</u>	<u>\$ 2,891,415</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 234,000	\$ 73,075
Due to other funds	<u>-</u>	<u>167</u>
	-	
TOTAL LIABILITIES	<u>234,000</u>	<u>73,242</u>
FUND BALANCE:		
Assigned	<u>3,443,744</u>	<u>2,818,173</u>
TOTAL FUND BALANCE	<u>3,443,744</u>	<u>2,818,173</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,677,744</u>	<u>\$ 2,891,415</u>

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**CAPITAL PROJECTS FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
REVENUES	\$ -	\$ -
EXPENDITURES:		
Capital outlay	<u>1,124,429</u>	<u>2,688,773</u>
Total expenditures	<u>1,124,429</u>	<u>2,688,773</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,124,429)	(2,688,773)
OTHER SOURCES AND (USES):		
Operating transfers in	<u>1,750,000</u>	<u>1,750,000</u>
Total other sources (uses)	<u>1,750,000</u>	<u>1,750,000</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	625,571	(938,773)
FUND BALANCE - beginning of year	<u>2,818,173</u>	<u>3,756,946</u>
FUND BALANCE - end of year	<u>\$ 3,443,744</u>	<u>\$ 2,818,173</u>

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**DEBT SERVICE FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash - unrestricted	\$ 1,755,963	\$ 1,794,602
Receivables:		
Due from other funds	<u> -</u>	<u> 43,473</u>
 TOTAL ASSETS	 <u>\$ 1,755,963</u>	 <u>\$ 1,838,075</u>
 FUND BALANCE		
Assigned	<u> 1,755,963</u>	<u> 1,838,075</u>
 TOTAL FUND BALANCE	 <u>\$ 1,755,963</u>	 <u>\$ 1,838,075</u>

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**DEBT SERVICE FUND
COMPARATIVE SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
JUNE 30, 2017 and 2016**

	2017				2016			
	Original Budget	Final Budget	Actual	Variance with final budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with final budget Positive (Negative)
REVENUE:								
Use of money and property	\$ -	\$ -	\$ 91,083	\$ 91,083	\$ -	\$ -	\$ 88,140	\$ 88,140
Total revenue	-	-	91,083	91,083	-	-	88,140	88,140
EXPENDITURES:								
Issuance costs	-	-	-	-	-	155,913	148,242	7,671
Debt service - principal	1,500,000	1,500,000	1,500,000	-	1,555,000	1,555,000	1,555,000	-
Debt service - interest	740,425	740,425	740,424	-	832,550	737,550	669,307	68,243
Total expenditures	2,240,425	2,240,425	2,240,424	-	2,387,550	2,448,463	2,372,549	75,914
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(2,240,425)	(2,240,425)	(2,149,341)	91,083	(2,387,550)	(2,448,463)	(2,284,409)	12,226
OTHER SOURCES AND (USES):								
Refunding bonds issued	-	-	-	-	-	13,530,000	13,530,000	-
Payment to refunded bond escrow agent	-	-	-	-	-	(15,819,365)	(15,819,365)	-
Operating transfers in	2,067,229	2,067,229	2,067,229	-	2,125,637	2,125,637	2,049,723	75,914
Issuance premium	-	-	-	-	-	2,350,277	2,350,277	-
Total other sources (uses)	2,067,229	2,067,229	2,067,229	-	2,125,637	2,186,549	2,110,635	75,914
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(173,196)	(173,196)	(82,112)	91,083	(261,913)	(261,914)	(173,774)	88,140
FUND BALANCE - beginning of year			1,838,075				2,011,849	
FUND BALANCE - end of year			\$ 1,755,963				\$ 1,838,075	

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017
(With Comparative Totals for 2016)**

	School Lunch	Special Purpose	Non-Major Governmental Funds	
			2017	2016
ASSETS				
Cash - unrestricted	\$ 484,843	\$ -	\$ 484,843	\$ 567,596
Cash - restricted	-	192,193	192,193	142,716
Receivables				
Accounts	4,343	700	5,043	3,246
State and federal aid	15,164	-	15,164	16,562
Inventories	6,881	-	6,881	3,642
TOTAL ASSETS	\$ 511,231	\$ 192,893	\$ 704,124	\$ 733,762
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable and accrued expenses	\$ 119,260	\$ 13,279	\$ 132,539	\$ 217,973
Due to other funds	32,068	8,298	40,366	61,799
Due to other governments	283	-	283	350
Unearned revenue	41,799	-	41,799	35,096
TOTAL LIABILITIES	193,410	21,577	214,987	315,218
FUND BALANCE:				
Nonspendable	6,881	-	6,881	3,642
Restricted:				
Special purposes	-	171,316	171,316	122,485
Assigned	310,940	-	310,940	292,417
TOTAL FUND BALANCE	317,821	171,316	489,137	418,544
TOTAL LIABILITIES AND FUND BALANCE	\$ 511,231	\$ 192,893	\$ 704,124	\$ 733,762

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)**

	School Lunch	Special Purpose	Non-Major Governmental Funds	
			2017	2016
REVENUE:				
Miscellaneous	\$ 3,790	\$ 189,525	\$ 193,315	\$ 150,093
State sources	12,949	-	12,949	12,644
Federal sources	274,917	-	274,917	246,389
Food sales	653,578	-	653,578	638,691
Total revenue	<u>945,234</u>	<u>189,525</u>	<u>1,134,759</u>	<u>1,047,817</u>
EXPENDITURES:				
Community services	-	140,694	140,694	138,947
Cost of food sales	923,472	-	923,472	900,335
Total expenditures	<u>923,472</u>	<u>140,694</u>	<u>1,064,166</u>	<u>1,039,282</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	21,762	48,831	70,593	8,535
FUND BALANCE - beginning of year	<u>296,059</u>	<u>122,485</u>	<u>418,544</u>	<u>410,009</u>
FUND BALANCE - end of year	<u>\$ 317,821</u>	<u>\$ 171,316</u>	<u>\$ 489,137</u>	<u>\$ 418,544</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

SCHOOL LUNCH FUND COMPARATIVE BALANCE SHEET JUNE 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash - Unrestricted	\$ 484,843	\$ 567,596
Receivables		
Accounts	4,343	3,246
State and federal aid	15,164	16,562
Inventories	<u>6,881</u>	<u>3,642</u>
 TOTAL ASSETS	 <u>\$ 511,231</u>	 <u>\$ 591,046</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 119,260	\$ 205,165
Due to other funds	32,068	54,376
Due to other governments	283	350
Unearned revenue	<u>41,799</u>	<u>35,096</u>
 TOTAL LIABILITIES	 <u>193,410</u>	 <u>294,987</u>
 FUND BALANCE:		
Nonspendable	6,881	3,642
Assigned	<u>310,940</u>	<u>292,417</u>
 TOTAL FUND BALANCE	 <u>317,821</u>	 <u>296,059</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 511,231</u>	 <u>\$ 591,046</u>

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SCHOOL LUNCH FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
REVENUE:		
Miscellaneous	\$ 3,790	\$ 10,711
State sources	12,949	12,644
Federal sources	274,917	246,389
Food sales	<u>653,578</u>	<u>638,691</u>
Total revenue	<u>945,234</u>	<u>908,435</u>
EXPENDITURES:		
Cost of food sales	<u>923,472</u>	<u>900,335</u>
Total expenditures	<u>923,472</u>	<u>900,335</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	21,762	8,100
FUND BALANCE - beginning of year	<u>296,059</u>	<u>287,959</u>
FUND BALANCE - end of year	<u>\$ 317,821</u>	<u>\$ 296,059</u>

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SPECIAL PURPOSE FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash - Restricted	\$ 192,193	\$ 142,716
Receivables		
Accounts	<u>700</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 192,893</u>	<u>\$ 142,716</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 13,279	\$ 12,808
Due to other funds	<u>8,298</u>	<u>7,423</u>
TOTAL LIABILITIES	<u>21,577</u>	<u>20,231</u>
FUND BALANCE:		
Restricted:		
Special purposes	<u>171,316</u>	<u>122,485</u>
TOTAL FUND BALANCE	<u>171,316</u>	<u>122,485</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 192,893</u>	<u>\$ 142,716</u>

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SPECIAL PURPOSE FUND
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
REVENUE:		
Miscellaneous	\$ <u>189,525</u>	\$ <u>139,382</u>
Total revenue	<u>189,525</u>	<u>139,382</u>
EXPENDITURES:		
Community services	<u>140,694</u>	<u>138,947</u>
Total expenditures	<u>140,694</u>	<u>138,947</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	48,831	435
FUND BALANCE - beginning of year	<u>122,485</u>	<u>122,050</u>
FUND BALANCE - end of year	<u>\$ 171,316</u>	<u>\$ 122,485</u>

The accompanying notes are an integral part of these schedules.

**OTHER INFORMATION
(UNAUDITED)**

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND THE REAL PROPERTY TAX LIMIT (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 86,653,782	
Add: Prior year's encumbrances	<u>763,668</u>	
Original budget	87,417,450	
Budget revisions	<u>445,739</u>	
Final budget	<u>\$ 87,863,189</u>	

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget	\$ 88,966,619	
Maximum allowed (4% of 2017-18 budget)		<u>\$ 3,558,665</u>
General fund, fund balance subject to section 1318 of real property tax law*:		
Total fund balance		23,287,728
Less:		
Restricted fund balance	\$ 18,769,966	
Appropriated fund balance	-	
Encumbrances included in committed and assigned fund balance	<u>959,097</u>	
Total adjustments		<u>19,729,063</u>
General fund, fund balance subject to section 1318 of real property tax law		<u>\$ 3,558,665</u>
Actual percentage		4.00%

*Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

Project Title	Original Appropriation	Revised Appropriation	Expenditures Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2017
								State Aid	Local Sources	Total	
Minor capital project & security project 2013 - 2014	\$ 2,725,000	\$ 2,725,000	\$ 1,971,334	\$ 636,690	\$ 2,608,024	\$ 116,976	\$ -	\$ -	\$ 2,725,000	\$ 2,725,000	\$ 116,976
Minor capital project 2014 - 2015	1,750,000	1,750,000	1,435,493	57,254	1,492,747	257,253	-	-	1,750,000	1,750,000	257,253
Minor capital project 2015 - 2016	1,750,000	1,750,000	-	61,415	61,415	1,688,585	-	-	1,750,000	1,750,000	1,688,585
Minor capital project 2016 - 2017	<u>1,750,000</u>	<u>1,750,000</u>	<u>-</u>	<u>369,070</u>	<u>369,070</u>	<u>1,380,930</u>	<u>-</u>	<u>-</u>	<u>1,750,000</u>	<u>1,750,000</u>	<u>1,380,930</u>
Total	<u>\$ 7,975,000</u>	<u>\$ 7,975,000</u>	<u>\$ 3,406,827</u>	<u>\$ 1,124,429</u>	<u>\$ 4,531,256</u>	<u>\$ 3,443,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,975,000</u>	<u>\$ 7,975,000</u>	<u>\$ 3,443,744</u>

The accompanying notes are an integral part of these schedules.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

Capital assets, net	\$ 56,842,329
Deduct:	
Short-term portion of bonds payable	1,470,000
Long-term portion of bonds payable and unamortized premium	<u>17,299,985</u>
	<u>18,769,985</u>
Net investment in capital assets	<u>\$ 38,072,344</u>

The accompanying notes are an integral part of these schedules.

ADDITIONAL INFORMATION REQUIRED BY THE UNIFORM GUIDANCE

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

September 27, 2017

To the Board of Education
South Orangetown Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Orangetown Central School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 27, 2017.

Internal Control over Financial Reporting

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

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

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

(Continued)

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 (Continued)

Compliance and Other Matters

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

Purpose of this Report

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

September 27, 2017

To the Board of Education of
South Orangetown Central School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE (Continued)

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
U.S. Department of Education			
Pass-Through New York State Department of Education			
Special Education Grants to States (IDEA, Part B)	84.027	0032-17-0770	\$ 626,444
Special Education Preschool Grants (IDEA Preschool)	84.173	0033-17-0770	<u>32,459</u>
Total Special Education Cluster			<u>658,903</u>
 Title I Grants to Local Educational Agencies	 84.010	 0021-17-2550	 <u>357,341</u>
 English Language Acquisition Grants	 84.365	 0293-17-2550	 15,567
English Language Acquisition Grants	84.365	0149-17-2550	<u>21,731</u>
Total English Language Acquisition Grants			<u>37,298</u>
 Improving Teacher Quality State Grants	 84.367	 0147-17-2550	 <u>48,504</u>
 Total U.S. Department of Education			 <u>1,102,046</u>
U.S. Department of Agriculture			
Pass-Through New York State Department of Education			
National School Lunch Program	10.555	N/A	213,170
National School Lunch Program - Noncash Commodities	10.555	N/A	<u>46,633</u>
Total National School Lunch Program			<u>259,803</u>
 School Breakfast Program	 10.553	 N/A	 <u>15,114</u>
 Total Child Nutrition Cluster			 <u>274,917</u>
 Total U.S. Department of Agriculture			 <u>274,917</u>
 Total Expenditures of Federal Awards			 <u>\$ 1,376,963</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the South Orangetown Central School District (District), under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows for the District.

2. BASIS OF ACCOUNTING

The Schedule is presented using generally accepted accounting principles, as described in the District's basic financial statements.

3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the financial reports used as the source for the expenditures presented.

The District did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. MATCHING COSTS

Matching costs, i.e., the District's share of certain program costs, are not included in the reported expenditures.

5. SUBRECIPIENTS

No amounts were provided to subrecipients.

6. NONMONETARY ASSISTANCE

The District is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed a non-monetary program. During the year ended June 30, 2017, the District received food commodities, the fair value of which amounted to \$46,633 is presented in the Schedule as National School Lunch Program (Division of Donated Foods, CFDA#10.555).

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section I—Summary of Auditor’s Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified Yes None reported

Type of auditor's report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? Yes No

Identification of major federal programs:

CFDA Number(s) Name of Federal Program or Cluster

84.027 and 84.173 Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? Yes No

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Section II—Financial Statement Findings

There were no instances of material weaknesses, significant deficiencies, or noncompliance noted that are required to be reported under *Government Auditing Standards*.

Section III—Federal Award Findings and Questioned Costs

There were no instances of material weaknesses, or noncompliance, including questioned costs noted that are required to be reported under Uniform Guidance.