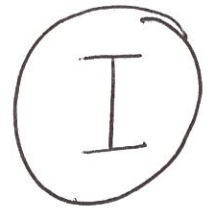


THREE VILLAGE CENTRAL SCHOOL DISTRICT
STONY BROOK, NEW YORK



BOARD OF EDUCATION AGENDA MATERIALS

DATE OF BOARD MEETING: October 17, 2018

DATE SUBMITTED: October 12, 2018

OFFICE OF ORIGIN: Business Services

CATEGORY OF ITEM: REPORT

TITLE: ACCEPTANCE OF INDEPENDENT AUDITOR'S REPORT

Staff Recommendation:

Be it resolved that the Board of Education accept the report of the district's Independent Auditor, EFPR Group, CPAs, for the 2017-2018 school year.

Background-Rationale:

This report has been reviewed by the Audit Committee.

NOT AN OFFICIAL RECORD; SUBJECT TO CHANGE



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October 9, 2018

CONFIDENTIAL

The Board of Education
Three Village Central School District

Dear Board Members:

We have audited the financial statements of Three Village Central School District (the District) for the year ended June 30, 2018, and have issued our report thereon dated October 9, 2018. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities which a test examination may not disclose. We now present for your consideration our comment and recommendation based upon observations made during our audit.

This report is intended solely for the information and use of the Board, management and others within the District.

Capitalization Policy Threshold

Currently, the District has a policy of capitalizing purchases with a cost over \$1,500. This threshold is considered low when compared to other school districts. Additionally, this threshold results in additional staff time to track. The third party that maintains fixed asset records for the District also maintains insurance reports that do not reflect a minimum threshold. These insurance reports can maintain a running inventory of District assets without complicating the District's accounting records.

We recommend that the District raise the threshold for capitalizing assets to costs over \$5,000 or \$10,000 depending on what management deems to be appropriate for the District.

* * * * *

We wish to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the District's personnel during our audit. If you have any questions regarding the foregoing comments or wish any assistance in their implementation, please contact us at your convenience.

Very truly yours,

EFPR GROUP, CPAs, PLLC

Douglas E. Zimmerman, CPA
Partner
Chief Operating Officer

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report

June 30, 2018

THREE VILLAGE CENTRAL SCHOOL DISTRICT

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THREE VILLAGE CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Three Village Central School District
Stony Brook, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

As discussed in note 1(t) to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," during the year ended June 30, 2018. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 18 and the additional information on pages 62 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 74 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 (Uniform Guidance), 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 were derived from and relate 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2018, 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 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 9, 2018

THREE VILLAGE CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of the Three Village Central School District's (the "District") financial performance for the fiscal year ended June 30, 2018. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- The fiscal year 2018 budget not only preserved all core educational programs and maintains class sizes, but also included provisions for new math centers at the junior high schools, fourth grade chorus program, expanded 9th grade band and orchestra, expansion of the writing center initiative at Ward Melville, and a new tuition free Pre-K program for District residents, as well as infrastructure upgrades including generators, field renovations, building repairs, and plumbing/bathroom repairs and renovations.
- The District implemented GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the restatement of opening Net Position to reflect the total OPEB liability, rather than the net OPEB liability. The total OPEB liability at June 30, 2018 was \$336,843,991, an increase of \$17,887,532 over the restated opening total OPEB liability.
- On August 29, 2017, the District refunded \$23,745,000 of the 2008 and 2009 bonds by issuing \$22,880,000 in bonds. The District refunded the bonds to reduce its total debt service payments over the next 13 years by \$3,006,439 resulting in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$2,689,553.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

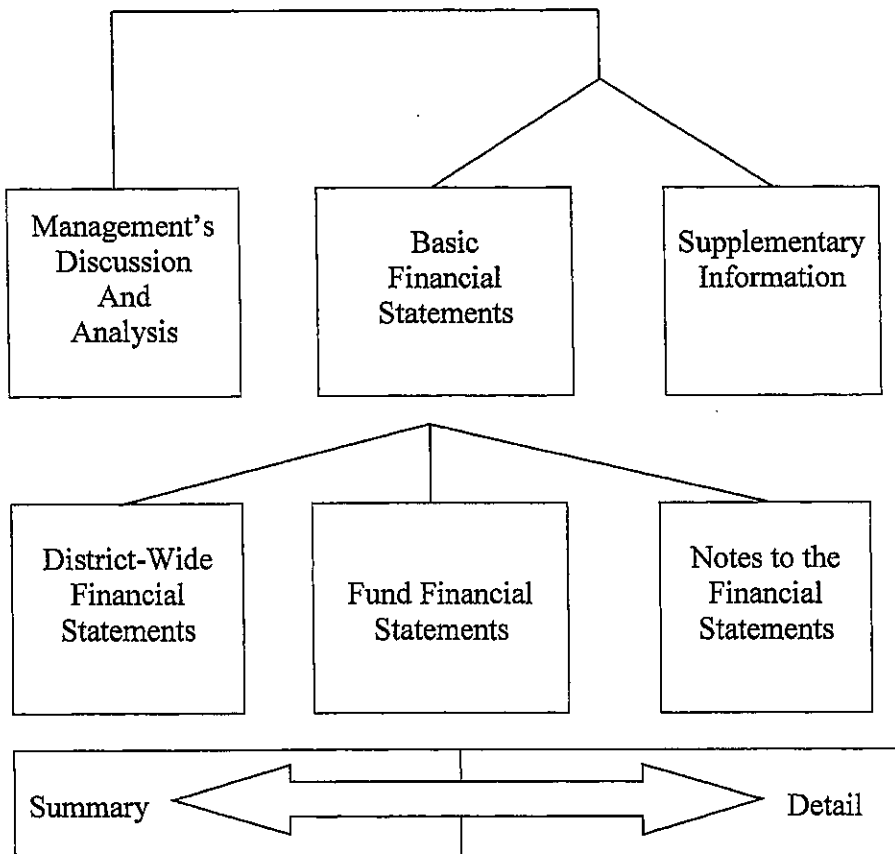
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
- *Fiduciary Funds Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

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

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



**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

	District-Wide Financial Statements	Fund Financial Statements	
	District	Governmental	Fiduciary
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

A) District-Wide Financial Statements

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

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

- Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

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

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

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

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

B) Fund Financial Statements

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

The District has two kinds of funds:

i) Governmental funds

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

ii) Fiduciary funds

The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's net position decreased by \$3,140,437 in the fiscal year ended June 30, 2018 as detailed in Table A-3.

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

	Fiscal Year 2018	Fiscal Year 2017 *	Increase (Decrease)	Total Percentage Change
Current assets and other assets	\$58,630,048	\$75,674,894	(\$17,044,846)	-22.52%
Capital assets, net	172,853,276	163,061,969	9,791,307	6.00%
Net pension asset - proportionate share	3,888,954	-	3,888,954	N/A
Total assets	<u>235,372,278</u>	<u>238,736,863</u>	<u>(3,364,585)</u>	-1.41%
Deferred outflows of resources	<u>83,014,272</u>	<u>61,186,399</u>	<u>21,827,873</u>	35.67%
Current liabilities	23,049,448	29,019,364	(\$5,969,916)	-20.57%
Long-term liabilities	475,829,774	476,837,603	(1,007,829)	-0.21%
Total liabilities	<u>498,879,222</u>	<u>505,856,967</u>	<u>(6,977,745)</u>	-1.38%
Deferred inflows of resources	<u>33,336,971</u>	<u>4,755,501</u>	<u>28,581,470</u>	601.02%
Total liabilities and deferred inflows of resources	<u>532,216,193</u>	<u>510,612,468</u>	<u>21,603,725</u>	4.23%
Net position				
Net investment in capital assets	54,072,974	46,080,656	7,992,318	17.34%
Restricted	15,842,328	17,461,758	(1,619,430)	-9.27%
Unrestricted (deficit)	<u>(283,744,945)</u>	<u>(274,231,620)</u>	<u>(9,513,325)</u>	-3.47%
Total net position	<u>(\$213,829,643)</u>	<u>(\$210,689,206)</u>	<u>(\$3,140,437)</u>	-1.49%

* Long-term liabilities, deferred outflows of resources, and unrestricted net deficit have been restated for 2017 for the implementation of GASB Statement No. 75. See Note 14 for more information.

Current assets and other assets decreased by \$17,044,846 as a result of a decrease in cash, due from other governments, and state and federal aid receivable. Capital assets (net of depreciation) increased by \$9,791,307. This was primarily attributable to current year additions exceeding depreciation. The District reported a net pension asset - proportionate share for the teachers' retirement system in the amount of \$3,888,954 as a result of the actuarial valuation provided by the state. In the prior year, it reported a net pension liability for the teachers' retirement system. The change in deferred outflows of resources represents amortization of the pension related items and the change in the District's contributions subsequent to the measurement date as discussed in Note

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

13, and the change in the District's benefit payments for OPEB subsequent to the measurement date as discussed in Note 14.

Current liabilities decreased by \$5,969,916. This was primarily attributable to decreases in accounts payable, accrued liabilities, amounts due to the retirement systems and compensated absences. Long-term liabilities decreased by \$1,007,829 primarily due to the increase in the total OPEB liability being offset by the decrease in the net pension liability and bonds payable due to current year principal payments. The change in deferred inflows represents amortization of pension items as discussed in Note 13, amortization on the gain on defeasance as discussed in Note 12, and the addition of deferred inflows for OPEB, as discussed in Note 14.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and machinery & equipment, net of depreciation and related debt. The net investment in capital assets increased over the prior year by \$7,992,318 due to capital asset additions primarily funded by bond proceeds, and the paydown on debt exceeding depreciation.

The restricted net position in the amount of \$15,842,328 refers to the District's reserves: workers' compensation, unemployment, retirement contribution and employee benefit accrued liability. This amount decreased by \$1,619,430 from the prior year. The decrease is attributable to the District use of the retirement contribution reserve in the amount of \$1,648,533, offset by interest earnings to the reserves of \$29,103.

Unrestricted net position relates to the balance of the District's net position. This amount, a deficit of \$283,744,945 is an increase to the deficit of \$9,513,325 from the prior year. Net position overall decreased by \$3,140,437.

B) Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2018 and 2017 is as follows:

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	\$5,801,999	\$5,806,311	(\$4,312)	-0.07%
Operating grants	3,477,571	3,596,953	(119,382)	-3.32%
General revenues				
Real property taxes and other tax items	152,358,928	147,343,464	5,015,464	3.40%
State sources	44,909,260	44,403,078	506,182	1.14%
Use of money and property	421,215	290,155	131,060	45.17%
Other	873,452	1,212,103	(338,651)	-27.94%
Total revenues	<u>207,842,425</u>	<u>202,652,064</u>	<u>5,190,361</u>	2.56%
Expenses				
General support	28,899,045	28,203,292	695,753	2.47%
Instruction	164,871,559	165,109,817	(238,258)	-0.14%
Pupil transportation	8,905,036	8,813,461	91,575	1.04%
Community services	2,293,295	2,458,854	(165,559)	-6.73%
Debt service - interest	3,679,731	4,576,917	(897,186)	-19.60%
Food service program	2,334,196	2,277,244	56,952	2.50%
Total expenses	<u>210,982,862</u>	<u>211,439,585</u>	<u>(456,723)</u>	-0.22%
Increase (decrease) in net position	<u>(\$3,140,437)</u>	<u>(\$8,787,521)</u>	<u>\$5,647,084</u>	64.26%

Information for 2017 was not restated because the information necessary was not readily available. The cumulative effect of applying the change in accounting principle is shown as an adjustment to the beginning net position in 2018. See Note 14 for more information.

The District's fiscal year 2018 revenues totaled \$207,842,425. (See Table A-4). This is an increase of \$5,190,361 or 2.56% over the prior year. Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing approximately 73.31% and 21.61% respectively of total revenue. (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$210,982,862 for fiscal year 2018. This is a decrease of \$456,723 or .22% from the prior year. The expenses are predominantly related to general instruction and transporting students, which account for approximately 82.36% of district expenses. (See Table A-6). The District's general support activities accounted for 13.70% of total costs. Overall, expenses were fairly consistent with the prior year with the exception of debt service costs which decreased from the prior year.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Table A-5: Revenues for Fiscal Year 2018 (See Table A-4)

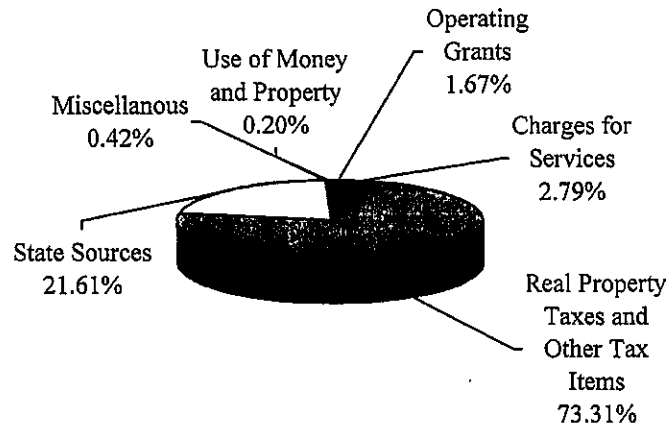
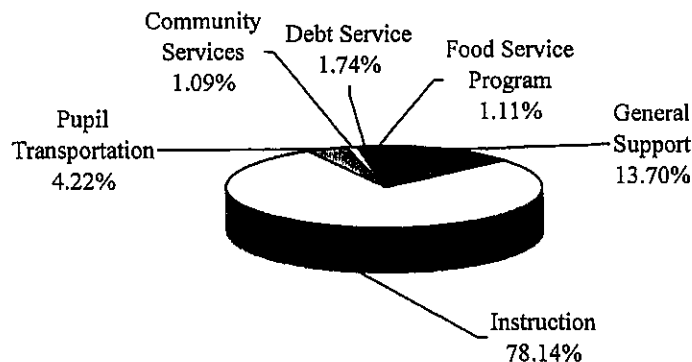


Table A-6: Expenses for Fiscal Year 2018 (See Tables A-4 and A-7)



C) Governmental Activities

Revenues for the District's governmental activities totaled \$207,842,425 while total expenses equaled \$210,982,862. While net position decreased, the continuation of the overall financial position will be dependent on the following:

- Continued leadership of the District's Board and administration;
- Approval of the District's proposed annual budget;
- Strong tax base;
- Strategic use of services from the Eastern Suffolk Board of Cooperative Educational Services (BOCES);
- Community support.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Table A-7 presents the cost of six major District activities: general support, instruction, pupil transportation, community service, debt service, and food service program. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2018	2017	2018	2017
General support	\$28,899,045	\$28,203,292	\$28,899,045	\$28,203,292
Instruction	164,871,559	165,109,817	157,927,973	158,147,078
Pupil transportation	8,905,036	8,813,461	8,587,450	8,481,952
Community service	2,293,295	2,458,854	2,293,295	2,458,854
Debt service - interest	3,679,731	4,576,917	3,679,731	4,576,917
Food service program	2,334,196	2,277,244	315,798	168,228
Total	<u>\$210,982,862</u>	<u>\$211,439,585</u>	<u>\$201,703,292</u>	<u>\$202,036,321</u>

- The cost of all governmental activities this year was \$210,982,862. (Statement of Activities, Expenses column-see Exhibit 3)
- The users of the District's programs financed \$5,801,999 of the cost. (Statement of Activities, Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with operating grants of \$3,477,571. (Statement of Activities, Operating Grants column – see Exhibit 3)
- Most of the District's net costs of \$201,703,292 were financed by District taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3).

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

As of June 30, 2018, the District's combined governmental funds reported a total fund balance of \$36,312,011 which is a decrease of \$11,165,772 from the prior year. This decrease is primarily due to a decrease in fund balance in the capital projects fund due to the ongoing projects expenditures with financing that was received in the prior year.

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

	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Total Percentage Change
General Fund				
Restricted for workers' compensation	\$2,428,822	\$2,424,781	\$4,041	0.17%
Restricted for unemployment	145,160	144,919	241	0.17%
Restricted for retirement contribution	10,517,737	12,146,026	(1,628,289)	-13.41%
Restricted for employee benefit accrued liability	2,750,609	2,746,032	4,577	0.17%
Assigned- designated for subsequent year's expenditures	3,000,000	1,000,000	2,000,000	200.00%
Assigned for general support	458,205	680,749	(222,544)	-32.69%
Assigned for instruction	871,684	726,654	145,030	19.96%
Assigned for community service	2,878	35,668	(32,790)	-91.93%
Unassigned	8,392,134	8,079,397	312,737	3.87%
Total fund balance - general fund	<u>28,567,229</u>	<u>27,984,226</u>	<u>583,003</u>	2.08%
School Lunch Fund				
Nonspendable	51,305	61,428	(10,123)	-16.48%
Assigned	450,962	619,529	(168,567)	-27.21%
Total fund balance - school lunch fund	<u>502,267</u>	<u>680,957</u>	<u>(178,690)</u>	-26.24%
Capital Projects Fund				
Restricted for unspent debt proceeds	1,639,668	15,068,421	(13,428,753)	-89.12%
Assigned	5,602,847	3,744,179	1,858,668	49.64%
Total fund balance - capital projects fund	<u>7,242,515</u>	<u>18,812,600</u>	<u>(11,570,085)</u>	-61.50%
Total fund balance - all funds	<u>\$36,312,011</u>	<u>\$47,477,783</u>	<u>(\$11,165,772)</u>	-23.52%

The District can attribute changes to the fund balance in the general fund primarily due to operating results in which revenues and other sources of \$203,217,310 exceeded expenditures and other uses of \$202,634,307 resulting in an overall increase in the general fund fund balance of \$583,003.

The change in the restricted fund balance for retirement contribution is due to the District using the reserve in the current year, partially offset by interest earnings.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The net change in the fund balance of the school lunch fund of a decrease of \$178,690 was the result of an operating deficit of \$185,131 partially offset by a transfer from the general fund of \$6,441.

The net change in the fund balance of the capital projects fund of a decrease of \$11,570,085 is due to incurring capital outlay expenditures of \$16,044,488, and transferring \$425,597 in unneeded funding back to the general fund, and receiving \$4,900,000 in transfers in from the general fund.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2017-2018 Budget

The District's general fund adopted budget for the year ended June 30, 2018 was \$204,444,527. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,443,071, which resulted in an original budget of \$205,887,598. As there were no budget amendments during the year, the final budget was also \$205,887,598. The majority of the funding was the real property taxes budget of \$151,992,599.

B) Change in the General Fund Unassigned Fund Balance (Budget to Actual)

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

Opening, unassigned fund balance	\$ 8,079,397
Revenues under budget	(227,217)
Expenditures and encumbrances under budget	1,920,524
Use of reserves	1,648,533
Interest transferred to reserves	(29,103)
Assigned for June 30, 2019 budget	(3,000,000)
Closing, unassigned fund balance	<u>\$ 8,392,134</u>

The opening unassigned fund balance of \$8,079,397 is the June 30, 2017 unassigned fund balance.

The revenues under budget in the amount of \$227,217 were primarily in the state sources category and lower than anticipated miscellaneous revenues offset by revenues exceeding the budgeted amounts for charges for services, premiums on short term obligations and transfer from capital projects fund for unspent funds on completed projects. The expenditures and encumbrances under budget in the amount of \$1,920,524 were spread out amongst the various functions (see Supplemental Schedule #1 for detail).

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The District used \$1,648,533 of the retirement contribution reserve.

The District allowed interest to the reserves of \$29,103 as follows: \$4,041 to the workers' compensation reserve, \$241 to the unemployment reserve, \$20,244 to the retirement contribution reserve, and \$4,577 to the employee benefit accrued liability reserve.

The assigned, appropriated fund balance of \$3,000,000 for the June 30, 2019 budget is the amount the District has chosen to use to partially fund its operating budget for 2018-2019.

The District will close the 2017-2018 fiscal year with \$8,392,134 in unassigned fund balance. NYS Real Property Tax Law restricts this number to an amount not greater than 4% of the District's budget for the ensuing fiscal year. The District's unassigned fund balance is within the legal limit.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2018. A summary of the District's capital assets, net of depreciation is as follows:

Table A-8: Capital Assets (Net of Depreciation)

Category	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Percentage Change
Land and land improvements	\$2,023,365	\$2,023,365	\$ -	0.00%
Construction in progress	18,640,621	36,737,987	(18,097,366)	-49.26%
Buildings & building improvements	239,296,358	205,149,815	34,146,543	16.64%
Vehicles	1,058,372	1,182,160	(123,788)	-10.47%
Furniture, machinery, equipment	9,885,088	8,967,902	917,186	10.23%
Subtotal	270,903,804	254,061,229	16,842,575	6.63%
Less: accumulated depreciation	98,050,528	90,999,260	7,051,268	7.75%
Total net capital assets	<u>\$172,853,276</u>	<u>163,061,969</u>	<u>9,791,307</u>	<u>6.00%</u>

The District spent \$16,044,488 in the capital projects fund and \$1,180,943 in the general fund on construction in progress, building improvements, and equipment purchases during the year. The District also disposed of assets with a net book value of \$32,829 and recorded depreciation expense of \$7,401,295.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

B) Long-Term Debt

At June 30, 2018, the District had total debt payable of \$106,645,000. The serial bonds were issued for district-wide projects. The energy performance debt was issued to provide building upgrades, district wide, designed to reduce energy use and expense. The decrease in outstanding serial bond debt represents the current year principal payments as well as the decrease in debt due to the bond refunding. The decrease in energy performance debt payable represents principal payments.

More detailed information about the District's long-term debt is presented in Note 11. A summary of outstanding debt at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Serial bonds payable	\$106,645,000	\$117,940,000	(\$11,295,000)
Energy performance debt payable	11,364,298	12,523,738	(1,159,440)
Total	<u>\$118,009,298</u>	<u>\$130,463,738</u>	<u>(\$12,454,440)</u>

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- The general fund budget for the 2018-2019 school year was approved by the voters in the amount of \$209,803,354. This is an increase of \$5,358,827 or 2.62% over the previous year's adopted budget. The increase was primarily due to increases in instruction, as well as employee benefits expenditures.
- The 2018-2019 budget includes the preservation of programs and co-curricular offerings at current levels, and maintains balanced class sizes. It also includes additional guidance counselors and psychologists to support students' social and emotional needs, increased security measures including afterschool guards, training, enhanced visitor management database, and additional surveillance camera, as well as increased support for the implementation of Next Generation Science Standards, the introduction of a third-grade orchestra program, and the roll out of 1:1 Chromebook initiatives in grades 7-9, and the continuation of the initiative in grade 10.
- NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- The District issued \$28,000,000 in tax anticipation notes on September 18, 2018, maturing on June 27, 2019 with a stated interest rate of 2.75%, but an effective interest rate of 1.8797% due to premiums received.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Three Village Central School District
Mr. Jeffrey Carlson
Assistant Superintendent for Business
100 Suffolk Avenue
Stony Brook, New York 11790
(631) 730-4020

THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS

Current assets

Cash

Unrestricted

\$35,799,099

Restricted

17,481,996

Receivables

State and federal aid

3,863,349

Due from other governments

451,046

Due from fiduciary funds

742,970

Accounts receivable

240,283

Inventories

51,305

Capital assets

Not being depreciated

20,663,986

Being depreciated, net of accumulated depreciation

152,189,290

Net pension asset - proportionate share -teachers' retirement system

3,888,954

TOTAL ASSETS

235,372,278

DEFERRED OUTFLOWS OF RESOURCES

Pensions

57,556,635

Other post-employment benefits obligation

25,457,637

TOTAL DEFERRED OUTFLOWS OF RESOURCES

83,014,272

LIABILITIES

Payables

Accounts payable

\$3,376,904

Accrued liabilities

8,664,395

Bond interest payable

626,892

Energy performance interest payable

104,519

Due to other governments

266

Due to fiduciary funds

1,532

Due to teachers' retirement system

8,532,675

Due to employees' retirement system

689,019

Compensated absences payable

269,813

Unearned credits

Collections in advance

783,433

Long-term liabilities

Due and payable within one year

Bonds payable

9,920,000

Energy performance debt payable

1,187,157

Compensated absences payable

113,586

Due and payable after one year

Bonds payable

96,725,000

Energy performance debt payable

10,177,141

Termination benefits payable

6,615,000

Compensated absences payable

9,785,674

Claims payable

2,546,444

Total other post-employment benefits obligation payable

336,843,991

Net pension liability - proportionate share -employees' retirement system

1,915,781

TOTAL LIABILITIES

498,879,222

DEFERRED INFLOWS OF RESOURCES

Pensions

18,510,063

Gain on defeasance

2,410,672

Other post-employment benefits obligation

12,416,236

TOTAL DEFERRED INFLOWS OF RESOURCES

33,336,971

NET POSITION

Net investment in capital assets

54,072,974

Restricted

Workers' compensation

2,428,822

Unemployment insurance

145,160

Retirement contributions

10,517,737

Employee benefit accrued liability

2,750,609

15,842,328

Unrestricted (deficit)

(283,744,945)

TOTAL NET POSITION

\$ (213,829,643)

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS / PROGRAMS				
General support	\$ (28,899,045)	-	-	(28,899,045)
Instruction	(164,871,559)	4,275,791	2,667,795	(157,927,973)
Pupil transportation	(8,905,036)	-	317,586	(8,587,450)
Community services	(2,293,295)	-	-	(2,293,295)
Debt service - interest	(3,679,731)	-	-	(3,679,731)
Food service program	(2,334,196)	1,526,208	492,190	(315,798)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ (210,982,862)</u>	<u>5,801,999</u>	<u>3,477,571</u>	<u>(201,703,292)</u>
GENERAL REVENUES				
Real property taxes				139,020,829
Other tax items - including STAR reimbursement				13,338,099
Use of money and property				421,215
Sale of property and compensation for loss				16,047
Miscellaneous				857,405
State sources				<u>44,909,260</u>
TOTAL GENERAL REVENUES				<u>198,562,855</u>
CHANGE IN NET POSITION				(3,140,437)
TOTAL NET POSITION - BEGINNING OF YEAR AS RESTATED (SEE NOTE 14)				<u>(210,689,206)</u>
TOTAL NET POSITION - END OF YEAR				<u><u>\$(213,829,643)</u></u>

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$27,758,163	294,200	601,167	-	7,145,569	35,799,099
Restricted	15,842,328	-	-	-	1,639,668	17,481,996
Receivables						
State and federal aid	2,163,794	1,632,731	66,824	-	-	3,863,349
Due from other governments	451,046	-	-	-	-	451,046
Accounts receivable	220,965	-	19,318	-	-	240,283
Due from other funds	3,113,522	36,236	6,441	-	-	3,156,199
Inventories	-	-	51,305	-	-	51,305
TOTAL ASSETS	\$49,549,818	1,963,167	745,055	-	8,785,237	61,043,277
LIABILITIES AND FUND BALANCES						
Payables						
Accounts payable	2,139,577	12,191	109,908	-	1,115,228	3,376,904
Accrued liabilities	8,629,452	7,919	27,024	-	-	8,664,395
Due to other governments	-	-	266	-	-	266
Due to other funds	44,210	1,943,057	-	-	427,494	2,414,761
Due to teachers' retirement system	8,532,675	-	-	-	-	8,532,675
Due to employees' retirement system	689,019	-	-	-	-	689,019
Compensated absences payable	269,813	-	-	-	-	269,813
Unearned credits						
Collections in advance	677,843	-	105,590	-	-	783,433
TOTAL LIABILITIES	20,982,589	1,963,167	242,788	-	1,542,722	24,731,266
FUND BALANCES						
Nonspendable: Inventory	-	-	51,305	-	-	51,305
Restricted						
Workers' compensation	2,428,822	-	-	-	-	2,428,822
Unemployment insurance	145,160	-	-	-	-	145,160
Retirement contributions	10,517,737	-	-	-	-	10,517,737
Employee benefit accrued liability	2,750,609	-	-	-	-	2,750,609
Unspent debt proceeds	-	-	-	-	1,639,668	1,639,668
Assigned						
Appropriated fund balance	3,000,000	-	-	-	-	3,000,000
Unappropriated fund balance	1,332,767	-	450,962	-	5,602,847	7,386,576
Unassigned	8,392,134	-	-	-	-	8,392,134
TOTAL FUND BALANCES	28,567,229	-	502,267	-	7,242,515	36,312,011
TOTAL LIABILITIES AND FUND BALANCES	\$49,549,818	1,963,167	745,055	-	8,785,237	61,043,277

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Governmental Fund Balances \$36,312,011

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

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

Original cost of capital assets	\$270,903,804	
Accumulated depreciation	<u>(98,050,528)</u>	172,853,276

Certain disbursements previously expended in the governmental funds relating to pensions are treated as long-term assets and increase net position. The net pension asset - proportionate share - teachers' retirement system at year-end was:

3,888,954

Deferred outflows of resources related to pensions and other post-employment benefits will be recorded on the Statement of Net Position and amortized as expense in future years.

Deferred outflows - pensions	57,556,635	
Deferred outflows - other post-employment benefits	<u>25,457,637</u>	83,014,272

Deferred inflows of resources related to pensions and other post-employment benefits will be recorded on the Statement of Net Position and amortized as a reduction of expense in future years.

Deferred inflows - pensions	(18,510,063)	
Deferred inflows - other post-employment benefits	<u>(12,416,236)</u>	(30,926,299)

Deferred amounts on refunding - The Statement of Net Position will amortize certain long-term debt credits received over the life of the bond. Governmental funds record the long-term credits as revenue.

(2,410,672)

Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:

Bonds interest payable	(626,892)	
Energy performance interest payable	<u>(104,519)</u>	(731,411)

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

Bonds payable	(106,645,000)	
Energy performance debt payable	(11,364,298)	
Termination benefits payable	(6,615,000)	
Compensated absences payable	(9,899,260)	
Claims payable	(2,546,444)	
Total other post-employment benefits obligation payable	(336,843,991)	
Net pension liability - proportionate share - employees' retirement system	<u>(1,915,781)</u>	(475,829,774)

Total Net Position		<u><u>(\$213,829,643)</u></u>
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THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$139,020,829	-	-	-	-	139,020,829
Other tax items - including STAR reimbursement	13,338,099	-	-	-	-	13,338,099
Charges for services	4,275,791	-	-	-	-	4,275,791
Use of money and property	421,215	-	-	-	-	421,215
Sale of property and compensation for loss	16,047	-	-	-	-	16,047
Miscellaneous	527,679	-	120,161	-	-	647,840
State sources	44,909,260	1,080,184	24,981	-	-	46,014,425
Federal sources	73,228	1,831,969	320,399	-	-	2,225,596
Surplus food	-	-	146,810	-	-	146,810
Sales	-	-	1,526,208	-	-	1,526,208
TOTAL REVENUES	202,582,148	2,912,153	2,138,559	-	-	207,632,860
EXPENDITURES						
General support	22,376,966	-	-	-	-	22,376,966
Instruction	104,643,367	2,881,320	-	-	-	107,524,687
Pupil transportation	8,475,111	317,586	-	-	-	8,792,697
Community service	1,573,003	-	-	-	-	1,573,003
Employee benefits	44,800,257	-	-	-	-	44,800,257
Debt service - principal	11,589,440	-	-	-	-	11,589,440
Debt service - interest	3,982,969	-	-	-	-	3,982,969
Cost of sales	-	-	2,323,690	-	-	2,323,690
Capital outlay	-	-	-	-	16,044,488	16,044,488
TOTAL EXPENDITURES	197,441,113	3,198,906	2,323,690	-	16,044,488	219,008,197
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,141,035	(286,753)	(185,131)	-	(16,044,488)	(11,375,337)
OTHER FINANCING SOURCES AND USES						
Premiums on short term obligations	209,565	-	-	-	-	209,565
Proceeds from refunding bond issued	-	-	-	22,880,000	-	22,880,000
Bond premium	-	-	-	2,461,721	-	2,461,721
Payments to escrow agent (advanced refunding)	-	-	-	(25,169,649)	-	(25,169,649)
Bond issuance costs	-	-	-	(172,072)	-	(172,072)
Operating transfers in	425,597	286,753	6,441	-	4,900,000	5,618,791
Operating transfers (out)	(5,193,194)	-	-	-	(425,597)	(5,618,791)
TOTAL OTHER FINANCING SOURCES AND (USES)	(4,558,032)	286,753	6,441	-	4,474,403	209,565
TOTAL CHANGE IN FUND BALANCES	583,003	-	(178,690)	-	(11,570,085)	(11,165,772)
FUND BALANCES - BEGINNING OF YEAR	27,984,226	-	680,957	-	18,812,600	47,477,783
FUND BALANCES - END OF YEAR	\$28,567,229	-	502,267	-	7,242,515	36,312,011

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances \$ (11,165,772)

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating expenses are measured by amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used.

Increase in compensated absences payable	(1,181,763)
Increase in termination benefits payable	(810,000)
Increase in claims payable	(121,663)

Increases / decreases in the proportionate share of net pension asset/liability, and total other post-employment benefits obligation, and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' retirement system	(\$1,307,587)	
Employees' retirement system	(369,410)	
Other post-employment benefits obligation	<u>(9,696,155)</u>	(11,373,152)

Long-Term Debt Transactions

Bond issuance costs related to the refunding of debt are expensed in the current year. The amount of bond issuance costs related to the refunding that occurred during the June 30, 2018 fiscal year was: (172,072)

Repayment of bond principal and energy performance debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 11,589,440

Governmental funds report the premiums, discounts, and similar items on the refunded bonds. These amounts are deferred and amortized in the Statement of Activities. The amount of amortization for the gain on defeasance is: 212,396

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2017 to June 30, 2018 changed by: 90,842

Capital Related Items

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

Capital outlays	\$17,225,431	
Depreciation and loss on disposal expense	<u>(7,434,124)</u>	<u>9,791,307</u>

Change in Net Position of Governmental Activities (\$3,140,437)

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Restricted Cash	\$62,666	\$1,456,188
Due from governmental funds	<u>-</u>	<u>1,532</u>
TOTAL ASSETS	<u><u>\$62,666</u></u>	<u><u>1,457,720</u></u>
LIABILITIES		
Due to governmental funds	-	742,970
Extraclassroom activity balance	-	480,737
Other liabilities	<u>-</u>	<u>234,013</u>
TOTAL LIABILITIES	<u>-</u>	<u><u>1,457,720</u></u>
NET POSITION		
Restricted for scholarships	<u>62,666</u>	
TOTAL NET POSITION	<u><u>\$62,666</u></u>	

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$7,340
Interest and earnings	<u>139</u>
TOTAL ADDITIONS	<u>7,479</u>
DEDUCTIONS	
Scholarships and awards	<u>13,400</u>
TOTAL DEDUCTIONS	<u>13,400</u>
CHANGE IN NET POSITION	(5,921)
NET POSITION - BEGINNING OF YEAR	<u>68,587</u>
NET POSITION - END OF YEAR	<u><u>62,666</u></u>

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting Entity:

The laws of New York govern the District. The District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement No.14, *The Financial Reporting Entity*, as amended by GASB Statement No.39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No.61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District’s reporting entity.

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office. The District reports these assets held as an agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

B) Joint Venture:

The District is a component district in the Eastern Suffolk Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

C) Basis of Presentation:

i) District-Wide Financial Statements:

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

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

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

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the activities of the District's food service operations.

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

Debt Service Fund: This fund is used to account for current payments of principal and interest on general obligation long-term debt and for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness to being financed by governmental funds.

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

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

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

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

D) Measurement Focus and Basis of Accounting:

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

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within six months after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, termination benefits, compensated absences, other post-employment benefits, and pension liabilities, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Budget Basis of Accounting

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

E) Real Property Taxes:

i) Calendar

Real property taxes are levied annually by the Board of Education no later than October 1, and become a lien on December 1. Taxes are collected by the Town of Brookhaven and Town of Smithtown during 2017-2018.

ii) Enforcement

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

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

F) Restricted Resources:

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

G) Interfund Transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with inter-fund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These inter-fund receivables and payables are to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

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

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

Refer to Note 9 for a detailed disclosure by individual fund for inter-fund receivables, payables, expenditures and revenues activity.

H) Estimates:

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

I) Cash and Cash Equivalents:

The District's cash and cash equivalents consist of cash on hand and demand deposits.

J) Receivables:

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

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

K) Inventories and Prepaid Items:

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

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items as of June 30, 2018.

L) Capital Assets:

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-Wide Financial Statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & building improvements	\$1,500	Straight-line	30-50 years
Land improvements	\$1,500	Straight-line	20 years
Furniture & equipment	\$500	Straight-line	5-20 years

M) Collections in Advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded. Collections in advance as of June 30, 2018 consisted of funds received for summer programs in the general fund, and prepaid balances for meals in the school lunch fund.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

N) Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. These amounts are related to pensions and the other post-employment benefits liability reported in the District-Wide Statement of Net Position, and are detailed further in Notes 13 and 14.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. These amounts are related to pensions and the other post-employment benefits liability reported in the District-Wide Statement of Net Position, and are detailed further in Notes 13 and 14, as well as the gain on defeasance which is being amortized over the life of the bond, and detailed further in Note 12.

O) Vested Employee Benefits:

Compensated absences:

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time:

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collective bargained agreements require these compensated absences to be paid in the form of non-elective contributions to the employee's 403(b) plan.

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting termination method and an accrual for that liability is included in the District-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

Termination benefits:

Retirement incentive consist of first year eligible retirement incentive payments as specific in collective bargaining agreements. The liability is calculated in accordance

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

with GASB Statement No. 47 *Accounting for Termination Benefits*. The liability is calculated on years of service plus rates in effect at year end.

In the Fund Financial Statements only, the amount of matured liabilities for termination benefits is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis. A liability is included only for those employees who have obligated themselves to separate from service with the District by June 30th.

P) Other Benefits:

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

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure as the liability for premiums mature (come due for payments). In the District-Wide Financials Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75.

Q) Short-Term Debt:

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

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

BANs issued for capital purposes be converted to long-term financing within five years after the original issue dated.

R) Accrued Liabilities and Long-Term Obligations:

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

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

S) Equity Classifications:

i) District-Wide Financial Statements:

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

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

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

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

ii) Fund Financial Statements:

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

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- (1) **Non-spendable** fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$51,305.
- (2) **Restricted** fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

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

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML §6-p), must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Unspent debt proceeds

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

Scholarships

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

- (3) **Committed** fund balance – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2018.
- (4) **Assigned** fund balance – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.
- (5) **Unassigned** fund balance – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

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

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

T) New Accounting Standards:

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2018: Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The adoption of this Statement resulted in the restatement of certain items pertaining to the June 30, 2017 District-Wide Financial Statements. Refer to Note 14 for more information.

U) Future Changes in Accounting Standards:

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal year ended June 30, 2019, which provides guidance for the reporting of certain legally enforceable liabilities associated with the retirement of a tangible capital asset.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the fiscal year ended June 30, 2020. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported.

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2021. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

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

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

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

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

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

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

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

i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

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are adopted. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

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

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B) Encumbrances:

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

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

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Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

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

B) Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2018 included \$17,481,996 within in the governmental funds for capital projects and general reserve purposes and \$1,518,854 within the fiduciary funds.

C) Investments:

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

NOTE 5 – PARTICIPATION IN BOCES:

During the year, the District was billed \$7,797,719 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,621,213. Financial statements for the BOCES are available from the BOCES administrative office at 201 Sunrise Highway, Patchogue, New York 11772.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivable at June 30, 2018 consisted of the following:

General fund	
Excess cost aid	\$542,581
BOCES aid	<u>1,621,213</u>
Total	<u>2,163,794</u>
Special aid fund	
Federal aid	419,057
State and local aid	<u>1,213,674</u>
Total	<u>1,632,731</u>
School lunch fund	
State aid - breakfast & lunch	4,773
Federal aid - breakfast & lunch	<u>62,051</u>
Total	<u>66,824</u>
Total State and federal aid receivable	<u><u>\$ 3,863,349</u></u>

District management has deemed these amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2018 consisted of the following:

Foster tuition	\$126,746
Health and welfare services	40,453
Special education services	<u>283,847</u>
Total Due from other governments	<u><u>\$451,046</u></u>

District management has deemed these amounts to be fully collectible.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
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NOTE 8 - CAPITAL ASSETS:

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$2,023,365	-	-	\$2,023,365
Construction in progress	36,737,987	14,376,657	(\$32,474,023)	18,640,621
Total capital assets not being depreciated	38,761,352	14,376,657	(32,474,023)	20,663,986
Capital assets that are depreciated:				
Building & building improvements	205,149,815	1,672,520	32,474,023	239,296,358
Vehicles	1,182,160	-	(123,788)	1,058,372
Furniture and equipment	8,967,902	1,176,254	(259,068)	9,885,088
Total capital assets being depreciated	215,299,877	2,848,774	32,091,167	250,239,818
Less accumulated depreciation:				
Building & building improvements	83,533,889	6,871,070	-	90,404,959
Vehicles	894,269	56,266	(101,898)	848,637
Furniture and equipment	6,571,102	473,959	(248,129)	6,796,932
Total accumulated depreciation	90,999,260	7,401,295	(350,027)	98,050,528
Total capital assets being depreciated, net	124,300,617	(4,552,521)	32,441,194	152,189,290
Total capital assets, net	\$163,061,969	\$9,824,136	(\$32,829)	\$172,853,276

Depreciation expense and the loss on disposal have been allocated to the following functions:

General Support	\$73,258
Instruction	7,350,360
Food service program	10,506
	<u>\$7,434,124</u>

NOTE 9 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$3,113,522	\$44,210	\$425,597	\$5,193,194
Special aid fund	36,236	1,943,057	286,753	-
School lunch fund	6,441	-	6,441	-
Capital projects fund	-	427,494	4,900,000	425,597
Total government activities	3,156,199	2,414,761	5,618,791	5,618,791
Fiduciary agency fund	1,532	742,970	-	-
Totals	<u>\$3,157,731</u>	<u>\$3,157,731</u>	<u>\$5,618,791</u>	<u>\$5,618,791</u>

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The District typically transfers from the general fund to the special aid fund to fund the District's 20% share of summer school handicap expenses required by New York State law and to fund the State Supported Section 4201 schools. The District transferred from the general fund to the school lunch fund to cover the negative balances on students who owe money to the District for lunches. The District transferred from the general fund to the capital projects fund to fund capital projects. The District also transferred unused funds on capital projects back to the general fund.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All inter-fund payables are expected to be repaid within one year.

NOTE 10 - SHORT-TERM DEBT:

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/27/2018	2.00%	\$ -	\$ 26,000,000	\$ 26,000,000	\$ -
Total			<u>\$ -</u>	<u>\$ 26,000,000</u>	<u>\$ 26,000,000</u>	<u>\$ -</u>

The Tax Anticipation Note (TAN) was issued for interim financing of general fund operations. Interest in the amount of \$408,778 was paid on the TAN. The District also received a premium in the amount of \$209,565.

NOTE 11 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
General obligation debt:					
Construction serial bonds	\$117,940,000	\$22,880,000	\$34,175,000	\$106,645,000	\$9,920,000
Energy performance debt payable	12,523,738	-	1,159,440	11,364,298	1,187,157
Other liabilities:					
Termination benefits payable	5,805,000	1,102,500	292,500	6,615,000	-
Compensated absences payable	8,717,497	1,477,788	296,025	9,899,260	113,586
Claims payable	2,424,781	800,422	678,759	2,546,444	-
Total other post-employment benefits obligation *	318,956,459	28,550,723	10,663,191	336,843,991	-
Net pension liability - proportionate share	10,470,128	-	8,554,347	1,915,781	-
Total long-term liabilities	<u>\$476,837,603</u>	<u>\$54,811,433</u>	<u>\$55,819,262</u>	<u>\$475,829,774</u>	<u>\$11,220,743</u>

* Opening balance as restated

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

A) Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Serial Bonds	8/4/2005	6/1/2020	3.25 - 5.0%	\$3,790,000
Serial Bonds	12/1/2008	6/1/2024	4.0-4.50%	7,400,000
Serial Bonds	5/1/2009	5/1/2030	3.25-4.75%	1,590,000
Serial Bonds	11/30/2010	5/15/2026	2.75-4.25%	3,955,000
Serial Bonds - Refunding 2016	3/17/2016	12/15/2029	4%	16,160,000
Serial Bonds	8/25/2016	8/15/2032	2-2.25%	51,100,000
Serial Bond - Refunding	8/29/2017	5/1/2030	2.0-4.0%	22,650,000
Total Bonds payable				<u>\$106,645,000</u>

On August 29, 2017, \$22,880,000 in general obligation bonds with an interest rate of 2.0%-4.0% were issued to advance refund \$23,745,000 of 2008 and 2009 outstanding bonds with an interest rate of 3.75%-4.75%. The net proceeds of \$25,169,649 (after premium received of \$2,461,721 and payment of \$172,072 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2008 and 2009 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The 2008 bonds were callable in May 2018, and the 2009 bonds are callable in May 2019. The District advance refunded the 2008 and 2009 bonds to reduce its total debt service payments over the next 13 years by \$3,006,439 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,689,553.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$9,920,000	\$3,192,794	\$13,112,794
2020	9,520,000	2,838,444	12,358,444
2021	8,210,000	2,500,806	10,710,806
2022	8,500,000	2,233,494	10,733,494
2023	8,805,000	1,953,318	10,758,318
2024-2028	38,385,000	5,852,250	44,237,250
2029-2032	23,305,000	1,069,700	24,374,700
Total	<u>\$106,645,000</u>	<u>\$19,640,806</u>	<u>\$126,285,806</u>

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
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B) Energy Performance Debt

Energy performance debt payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy performance debt	3/8/2012	3/1/2025	2.43%	\$5,953,096
Energy performance debt	1/27/2015	1/15/2030	2.27%	5,411,202
Total energy performance debt payable				<u>\$11,364,298</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$1,187,157	\$260,483	\$1,447,640
2020	1,215,537	232,103	1,447,640
2021	1,244,596	203,043	1,447,639
2022	1,274,352	173,288	1,447,640
2023	1,304,819	142,821	1,447,640
2024-2028	4,131,213	285,940	4,417,153
2029-2031	1,006,624	59,873	1,066,497
Total	<u>\$11,364,298</u>	<u>\$1,357,551</u>	<u>\$12,721,849</u>

C) Long-term Interest

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

	Total
Interest paid	\$3,574,191
Less interest accrued in the prior year	(822,253)
Plus interest accrued in the current year	731,411
Less amortization of deferred gain on defeasance	(212,396)
Total expense	<u>\$3,270,953</u>

NOTE 12 – DEFERRED INFLOWS OF RESOURCES- GAIN ON DEFEASANCE

The gain on defeasance pertaining to the 2003 bond refunded in 2012, the 2010 bond refunded in 2016, and the 2008 and 2009 bond refunded in 2018, as recorded in the District-Wide Financial Statements as deferred inflows of resources at June 30, 2018 consisted of the following:

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	2003 Bond	2010 Bond	2008 & 2009 Bond	Total
Gain on defeasance	\$110,000	\$1,730,195	\$1,037,072	\$2,877,267
Accumulated amortization	(110,000)	(288,367)	(68,228)	(466,595)
Balance of Gain on defeasance	<u>\$ -</u>	<u>\$1,441,828</u>	<u>\$968,844</u>	<u>\$2,410,672</u>

The gain on defeasance on the advanced refunding are being amortized on the District-Wide Financial Statements using the straight-line method over 6 years for the 2003 bond, 15 years for the 2010 bond, and 13 years for the 2008 and 2009 bond, the time to maturity of the refunded bonds, at the point of refunding, and is recorded as a reduction to interest expense. The 2003 bond was fully amortized during the fiscal year.

NOTE 13 – PENSION PLANS:

A) Plan Description and Benefits Provided

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nyststrs.org.

ii) Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple –employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System. The Comptroller of the State of

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

B) Funding Policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3.5% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.
2. New York State Employees' Retirement System
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

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

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

	NYSERS	NYSTRS
2017-2018	\$2,371,411	\$8,204,299
2016-2017	\$2,749,492	\$9,502,307
2015-2016	\$3,091,745	\$10,057,742

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

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Net pension asset/(liability)	\$ (1,915,781)	\$ 3,888,954
District's portion of the Plan's total net pension asset/(liability)	0.0593591%	0.511638%
Change in proportion since the prior measurement date	0.0039594%	0.020094%

For the year ended June 30, 2018, the District recognized pension expense of \$9,512,524 for TRS and pension expense of \$2,703,508 for ERS. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 683,297	\$ 3,199,653	\$ 564,651	\$ 1,516,258
Net difference between projected and actual earnings on pension plan investments	2,782,520	-	5,492,415	9,159,611
Changes of assumptions	1,270,321	39,570,860	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,109,782	46,884	68,644	1,708,484
District's contributions subsequent to the measurement date	<u>689,019</u>	<u>8,204,299</u>	<u>-</u>	<u>-</u>
	<u>\$6,534,939</u>	<u>\$ 51,021,696</u>	<u>\$ 6,125,710</u>	<u>\$ 12,384,353</u>

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

	<u>ERS</u>	<u>TRS</u>
Fiscal Year Ending:		
2019	\$ 797,538	\$ 635,181
2020	634,632	10,204,469
2021	(1,201,668)	7,227,185
2022	(510,292)	1,595,106
2023	-	7,205,388
Thereafter	-	3,565,715
	<u>\$ (279,790)</u>	<u>\$ 30,433,044</u>

Actuarial Assumptions

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

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	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.0%	7.25%
Salary scale	3.80%	4.72% - 1.90%
Cost of living adjustments	1.3% annually	1.5%, annually
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.50%	2.50%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections 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 investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the valuation date are summarized below:

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<u>Valuation Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>April 1, 2017</u>		<u>June 30, 2016</u>	
<u>Asset type</u>	<u>Target</u>	<u>Long-term</u>	<u>Target</u>	<u>Long-term</u>
	<u>Allocation</u>	<u>expected real</u>	<u>Allocation</u>	<u>expected real</u>
		<u>rate of return*</u>		<u>rate of return*</u>
Domestic equity	36%	4.55%	35%	5.9%
International equity	14%	6.35%	18%	7.4%
Private equity	10%	7.50%	8%	9.0%
Real estate	10%	5.55%	11%	4.3%
Absolute return strategies	2%	3.75%	0%	0%
Opportunistic portfolio	3%	5.68%	0%	0%
Real assets	3%	5.29%	0%	0%
Bonds and mortgages	17%	1.31%	0%	0%
Cash	1%	-0.25%	0%	0%
Inflation-indexed bonds	4%	1.25%	0%	0%
Domestic fixed income securities	0%	0%	16%	1.6%
Global fixed income securities	0%	0%	2%	1.3%
High-yield fixed income securities	0%	0%	1%	3.9%
Mortgages	0%	0%	8%	2.8%
Short-term	0%	0%	1%	0.6%
	<u>100%</u>		<u>100%</u>	

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

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0% for ERS and 6.25% for TRS) or 1-percentage-point higher (8.0% for ERS and 8.25% for TRS) than the current rate:

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
ERS			
District's proportionate share of the net pension asset (liability)	<u>(\$14,495,313)</u>	<u>(\$1,915,781)</u>	<u>\$8,726,001</u>
	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
TRS			
District's proportionate share of the net pension asset (liability)	<u>(\$66,995,152)</u>	<u>\$3,888,954</u>	<u>\$63,250,874</u>

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	ERS	TRS
Valuation date	April 1, 2017	June 30, 2016
Employers' total pension liability	\$ (183,400,590)	\$ (114,708,261)
Plan Net Position	<u>180,173,145</u>	<u>115,468,360</u>
Employers' net pension asset/(liability)	<u>\$ (3,227,445)</u>	<u>\$ 760,099</u>

Ratio of plan net position to the		
Employers' total pension asset/(liability)	98.24%	100.66%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$689,019.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$8,532,675.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

D) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions expensed by the District and withheld by employees for the year ended June 30, 2018, totaled \$523,270 and \$4,211,226 respectively.

E) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code section 457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the year ended June 30, 2018 totaled \$447,196.

NOTE 14 – OTHER POST-EMPLOYMENT BENEFITS (HEALTH INSURANCE):

A) Plan Description:

The District primarily provides post-employment hospital, medical and prescription drug benefit coverage to retired employees and their spouses and eligible dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

On January 1, 1992, the District joined together with other districts to form an employee health insurance consortium, the Suffolk School Employees Health Plan (the "Plan"). The Plan is a public entity risk pool currently operating as a common risk management and health insurance program and is considered an agent multiple-employer health plan. The Plan is administered by United Health Care. The District pays an annual premium to the pool for its health insurance coverage. The Plan has obtained stop-loss insurance to reduce its exposure to excessive losses resulting from large covered claims. Although stop-loss insurance permits recovery of a portion of such losses from the insurance carrier, it does not discharge the Plan's responsibility for payment of the claim. The Plan also permits the assessment of additional contributions from the participating District employers in the form of supplemental assessments in the event of a plan shortfall in any fiscal year. The plan issues a publicly available financial report. The report may be obtained by writing to the New York State Insurance Department Life Insurance Companies Bureau, 160 West Broadway, New York, NY 10013.

The Plan established a liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Benefits Provided

The Plan provides medical, prescription and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute between 83% and 100% of premiums for retirees and for family coverage depending on the coverage selected and date of retirement. The District recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For fiscal year 2018, the District contributed an estimated \$10,663,191 to the Plan, including \$10,663,191 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the "pay as you go" method.

Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,196
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>794</u>
Total	<u><u>1,990</u></u>

B) Total OPEB Liability:

The District's total OPEB liability of \$336,843,991 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Inflation	2.50%
Salary increases	3.90% including inflation
Discount rate	3.44%
Healthcare cost trend rates:	
Pre-65 Medical/retiree contributions	7.0% decreasing by 0.5% per year to an ultimate rate of 4.5% for 2027 and later years
Post-65 medical	4.5%
Prescription drug	9% decreasing by 0.5% per year to an ultimate rate of 4.5% for 2027 and later years
Administrative costs	3.0%
Retirees' share of benefit-related costs	0% for certain categories, 16% for teachers, 17% for administrators, and various amounts for others, of projected health insurance premiums for retirees

The discount rate was based on a yield of index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index.

Mortality and turnover assumptions used are the same as those used in the June 30, 2016 actuarial valuation for the New York State Teachers' Retirement System completed by the NYS Office of the Actuary.

The remaining demographic assumptions were based on historical experience of the Plan and current demographic data, adjusted to reflect professional judgement of the actuary.

C) Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at June 30, 2017	<u>\$ 318,956,459</u>
Changes for the fiscal year:	
Service cost	8,693,204
Interest	12,185,492
Changes of benefit terms	(1,734,544)
Differences between expected and actual experience	24,464,559
Changes in assumptions or other inputs	(15,057,988)
Benefit payments	<u>(10,663,191)</u>
Net changes	<u>17,887,532</u>
Balance at June 30, 2018	<u><u>\$ 336,843,991</u></u>

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Changes of benefit terms reflect an increase in the retirees' share of health insurance premiums from 15% to 16% for teachers, and 15% to 17% for administrators.

Changes in assumptions and other inputs reflect the following:

- The discount rate was changed from 3.78% as of December 31, 2016, to 3.44% as of December 31, 2017.
- The per capita health costs and future trend rates on such costs were revised based on past experience and future expectations.
- The mortality rates were changed to those used in the New York State Teachers' Retirement System actuarial valuation as of June 30, 2016.
- The turnover rates were changed to those used in the New York State Teachers' Retirement System actuarial valuation as of June 30, 2016.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.44%) or 1-percentage-point higher (4.44%) than the current discount rate:

	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
Total OPEB liability	<u>\$398,059,319</u>	<u>\$336,843,991</u>	<u>\$288,408,066</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	<u>\$276,876,985</u>	<u>\$336,843,991</u>	<u>\$421,715,755</u>

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

D) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the fiscal year ended June 30, 2018, the District recognized OPEB expense (credit) of \$20,794,428. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,172,531	\$ -
Changes of assumptions or other inputs	-	12,416,236
District's benefit payments made subsequent to measurement date	<u>5,285,106</u>	<u>-</u>
	<u>\$ 25,457,637</u>	<u>\$ 12,416,236</u>

Benefit payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	
2019	\$ 1,650,276
2020	1,650,276
2021	1,650,276
2022	1,650,276
2023	1,155,191
Thereafter	<u>-</u>
	<u>\$ 7,756,295</u>

E) RESTATEMENT OF NET POSITION:

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The implementation of GASB Statement No. 75 resulted in the reporting of deferred outflows of resources and total OPEB liability related to the District's OPEB Plan. The District's net position has been restated as follows:

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Net position beginning of year, as previously stated	<u>\$ (10,091,391)</u>
Removal of beginning net OPEB liability	113,508,620
Addition of beginning total OPEB liability	(318,956,459)
Addition of beginning deferred outflow of resources for benefit payments made subsequent to the measurement date	<u>4,850,024</u>
Total reduction to opening net position	<u>(200,597,815)</u>
Net position beginning of year, as restated	<u>\$ (210,689,206)</u>

NOTE 15 – TERMINATION BENEFITS PAYABLE:

The District offers a retirement incentive to certain administrators and teachers outlined in their employment contract. In general, administrators having served at least 10 years employed by the District and 20 years in the New York State Teachers' Retirement System or Employees' Retirement System are entitled to a retirement incentive of \$30,000. Teachers having been employed by the District for at least 15 years and have 20 years in the New York State Teachers' Retirement System are entitled to an incentive in the amount of \$22,500. The current value of incentive payments earned is \$6,615,000 and is recorded as a long-term liability on the Statement of Net Position.

NOTE 16 - TAX ABATEMENTS:

The Town of Brookhaven Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 892, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the Town. The District's property tax revenue was reduced by \$465,547 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$361,727 for these programs during the fiscal year.

NOTE 17 – RISK MANAGEMENT:

A) General:

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

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

B) Nonpool Risk Retained:

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims which were incurred on or before year-end but not paid. As of June 30, 2018, the District has incurred but unpaid claims liability in the amount of \$2,546,444 and has a workers' compensation reserve balance of \$2,428,822. Claims activity for the current and preceding year is summarized below:

	<u>2018</u>	<u>2017</u>
Unpaid claims, beginning of year	\$2,424,781	\$3,268,801
Incurred claims and claim adjustment expenses	800,422	(205,612)
Claim payments	<u>(678,759)</u>	<u>(638,408)</u>
Unpaid claims, end of year	<u>\$2,546,444</u>	<u>\$2,424,781</u>

NOTE 18- COMMITMENTS AND CONTINGENCIES:

A) Grants:

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

B) Litigation:

The District is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the district's potential exposure, if any, at this time.

C) Encumbrances:

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

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Assigned: Unappropriated Fund Balance

General fund

General support	\$458,205
Instruction	871,684
Community service	<u>2,878</u>
	<u>\$1,332,767</u>

NOTE 19– SUBSEQUENT EVENTS:

- A) The District issued \$28,000,000 in tax anticipation notes on September 18, 2018, maturing on June 27, 2019 with a stated interest rate of 2.75%, but an effective interest rate of 1.8797% due to premiums received.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local sources				
Real property taxes	\$151,992,599	151,992,599	139,020,829	(12,971,770)
Other real property tax items	-	-	13,338,099	13,338,099
Charges for services	4,095,000	4,095,000	4,275,791	180,791
Use of money and property	295,000	295,000	421,215	126,215
Sale of property and compensation for loss	-	-	16,047	16,047
Miscellaneous	1,025,000	1,025,000	527,679	(497,321)
State sources				
Basic formula	42,737,275	42,737,275	31,576,896	(11,160,379)
Excess cost aid	1,145,625	1,145,625	4,319,668	3,174,043
Lottery aid	-	-	5,836,550	5,836,550
BOCES aid	1,556,706	1,556,706	1,621,213	64,507
Textbook Aid	383,635	383,635	382,353	(1,282)
Computer software and hardware aid	170,581	170,581	169,914	(667)
Library A/V loan program aid	43,106	43,106	42,937	(169)
Tuition aid	-	-	863,625	863,625
Other State Aid	-	-	96,104	96,104
Federal sources	-	-	73,228	73,228
TOTAL REVENUES	203,444,527	203,444,527	202,582,148	(862,379)
Other financing sources				
Premiums on short term obligations	-	-	209,565	209,565
Transfers from other funds	-	-	425,597	425,597
TOTAL REVENUE AND OTHER SOURCES	203,444,527	203,444,527	203,217,310	(227,217)
Appropriated fund balance	1,000,000	1,000,000		
Appropriated reserves	1,443,071	1,443,071		
TOTAL REVENUES & APPROPRIATED FUND BALANCE & RESERVES	205,887,598	205,887,598		

Note to Required Supplementary Information

Budget Basis of Accounting

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

THREE VILLAGE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General support					
Board of education	\$178,410	141,620	134,143	-	7,477
Central administration	454,668	491,458	491,458	-	-
Finance	2,297,851	2,089,351	1,931,372	4,323	153,656
Staff	1,521,837	1,521,837	1,406,263	-	115,574
Central services	16,300,925	17,051,805	16,586,795	453,882	11,128
Special items	1,865,131	1,865,131	1,826,935	-	38,196
Instruction					
Instruction, adm. & imp.	7,018,251	7,000,366	6,792,931	5,000	202,435
Teaching - regular schools	58,910,134	59,579,169	59,413,997	164,848	324
Programs for children with handicapping conditions	27,943,392	26,706,541	25,857,770	454,857	393,914
Occupational education	709,626	734,626	734,284	-	342
Teaching special schools	553,900	553,900	389,230	-	164,670
Instructional media	2,852,586	3,157,586	2,914,780	242,709	97
Pupil services	8,810,878	8,823,307	8,540,375	4,270	278,662
Pupil transportation	9,075,380	8,766,174	8,475,111	-	291,063
Community services	1,900,422	1,790,173	1,573,003	2,878	214,292
Employee benefits	44,726,145	44,802,145	44,800,257	-	1,888
Debt service					
Debt service principal	11,359,524	11,589,440	11,589,440	-	-
Debt service interest	4,168,538	3,982,969	3,982,969	-	-
TOTAL EXPENDITURES	200,647,598	200,647,598	197,441,113	1,332,767	1,873,718
Other financing uses					
Transfers to other funds	5,240,000	5,240,000	5,193,194	-	46,806
TOTAL EXPENDITURES AND OTHER USES	\$ 205,887,598	205,887,598	202,634,307	1,332,767	1,920,524
NET CHANGE IN FUND BALANCES			583,003		
FUND BALANCES - BEGINNING OF YEAR			27,984,226		
FUND BALANCES - END OF YEAR			\$28,567,229		

Note to Required Supplementary Information

Budget Basis of Accounting

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

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Total OPEB Liability

Service cost	\$ 8,693,204
Interest	12,185,492
Changes of benefit terms	(1,734,544)
Differences between expected and actual experience	24,464,559
Changes of assumptions or other inputs	(15,057,988)
Benefit payments	<u>(10,663,191)</u>
Net change in total OPEB liability	17,887,532
Total OPEB liability - beginning	<u>318,956,459</u>
Total OPEB liability - ending	<u><u>\$ 336,843,991</u></u>
Covered-employee payroll	\$ 102,659,551
Total OPEB liability as a percentage of covered-employee payroll	328.12%

Notes to Schedule:*Trust Assets*

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Benefit Terms

There was an increase in the retirees' share of health insurance premiums from 15% to 16 % for teachers, and to 17% for administrators.

Changes of Assumptions

The discount rate was 3.78% as of December 31, 2016.

The discount rate was 3.44% as of December 31, 2017.

Mortality rates and turnover rates as of December 31, 2017 were changed to those used in the New York State Teachers' Retirement System actuarial valuation as of June 30, 2016.

The amounts presented for the fiscal year are as of the measurement date of the Plan.

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

NYSERS Pension Plan					
	2018	2017	2016	2015	2014
District's proportion of the net pension (liability)/asset	0.0593591%	0.0553997%	0.0582109%	0.0563834%	0.0563834%
District's proportionate share of the net pension (liability)/asset	\$(1,915,781)	\$(5,205,482)	\$ (9,343,017)	\$ (1,904,769)	\$ (2,547,886)
District's covered payroll	\$19,172,697	\$18,821,898	\$ 17,795,350	\$ 17,430,907	\$ 16,364,574
District's proportionate share of the net pension (liability)/ asset as a percentage of its covered -employee payroll	9.99%	27.66%	52.50%	10.93%	15.57%
Plan fiduciary net position as a percentage of the total pension (liability)/asset	98.24%	94.70%	90.70%	97.95%	97.20%
NYSTRS Pension Plan					
	2018	2017	2016	2015	2014
District's proportion of the net pension (liability)/asset	0.511638%	0.491544%	0.481885%	0.481509%	0.493719%
District's proportionate share of the net pension (liability)/asset	\$ 3,888,954	\$(5,264,646)	\$ 50,052,509	\$ 53,637,103	\$ 3,249,922
District's covered payroll	\$81,863,194	\$77,702,662	\$ 74,499,071	\$ 73,171,265	\$ 74,406,002
District's proportionate share of the net pension (liability)/asset as a percentage of its covered -employee payroll	4.75%	6.78%	67.19%	73.30%	4.37%
Plan fiduciary net position as a percentage of the total pension (liability)/asset	100.66%	99.01%	110.46%	111.48%	100.70%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for those years that are available.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED JUNE 30,**

NYSERS Pension Plan								
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 2,371,411	\$ 2,749,492	3,091,745	3,208,082	3,344,752	3,052,667	2,671,340	1,976,998
Contributions in relation to the contractually required contribution	<u>2,371,411</u>	<u>2,749,492</u>	<u>3,091,745</u>	<u>3,208,082</u>	<u>3,344,752</u>	<u>3,052,667</u>	<u>2,671,340</u>	<u>1,976,998</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered employee payroll	\$ 19,292,160	\$ 18,711,788	17,795,350	17,289,597	16,807,381	16,372,235	16,479,292	16,243,544
Contributions as a percentage of covered employee payroll	12.29%	14.69%	17.37%	18.55%	19.90%	18.65%	16.21%	12.17%

NYSTRS Pension Plan								
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 8,204,299	\$ 9,502,307	\$10,057,742	12,689,336	11,588,037	8,562,584	8,043,989	6,236,528
Contributions in relation to the contractually required contribution	<u>8,204,299</u>	<u>9,502,307</u>	<u>10,057,742</u>	<u>12,689,336</u>	<u>11,588,037</u>	<u>8,562,584</u>	<u>8,043,989</u>	<u>6,236,528</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered employee payroll	\$83,722,567	\$81,863,194	\$77,702,662	74,499,071	73,171,265	74,406,002	74,328,019	74,509,330
Contributions as a percentage of covered employee payroll	9.80%	11.61%	12.94%	17.03%	15.84%	11.51%	10.82%	8.37%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for those years that are available.

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$204,444,527
Add: Prior year's encumbrances	1,443,071
Original Budget	<u>205,887,598</u>
Budget revisions:	<u>-</u>
Final Budget	<u><u>\$205,887,598</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 voter approved expenditure budget	<u><u>\$209,803,354</u></u>
Maximum allowed (4% of the 2018-2019 budget)	<u><u>\$8,392,134</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$4,332,767
Unassigned fund balance	<u>8,392,134</u>
Total unrestricted fund balance	12,724,901
Less:	
Appropriated fund balance	3,000,000
Encumbrances included in assigned fund balance	<u>1,332,767</u>
Total adjustments	<u><u>4,332,767</u></u>
*General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$8,392,134</u></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 committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserves for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES-CAPITAL PROJECTS FUND
AS OF JUNE 30, 2018

Project Title	Project #	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2018	
				Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
2014 Bond Projects												
2014 Bond Setauket Phase 3	001-035	\$ -	4,235,800	888,720	2,468,551	3,357,271	878,529	4,234,800	-	1,000	4,235,800	878,529
2014 Bond Nassakeag (auditorium)	002-028	500,000	234,009	234,009	-	234,009	-	234,009	-	-	234,009	-
2014 Bond Nassakeag Phase 3	002-029	-	4,910,000	680,156	3,683,728	4,363,884	546,116	4,701,000	-	209,000	4,910,000	546,116
2014 Bond Mount Phase 3	006-028	-	5,073,000	1,138,877	3,562,271	4,701,148	371,852	4,761,500	-	311,500	5,073,000	371,852
2014 Bond Phase 2 Arrowhead	007-028	-	5,231,652	5,237,413	58,893	5,296,306	(64,654)	5,231,652	-	-	5,231,652	(64,654)
2014 Gelinias (lockers, curtains)	008-035	-	934,931	934,931	-	934,931	-	934,931	-	-	934,931	-
2014 Bond Phase 2 Gelinias	008-036	-	7,607,360	7,607,360	-	7,607,360	-	7,607,360	-	-	7,607,360	-
2014 Bond Ward Melville (stairs, lockers)	009-038	2,093,640	2,255,433	2,255,433	-	2,255,433	-	2,255,433	-	-	2,255,433	-
2014 Bond Melville Phase 2	009-039	-	10,817,101	11,138,372	218,641	11,357,013	(539,912)	10,817,101	-	-	10,817,101	(539,912)
2014 Bond Melville	009-040	-	91,381	56,381	35,000	91,381	-	91,381	-	-	91,381	-
2014 Bond Minnesauke (auditorium)	014-027	500,000	151,578	151,578	-	151,578	-	151,578	-	-	151,578	-
2014 Bond Minni Phase 3	014-028	-	4,570,500	1,048,358	2,891,471	3,939,829	630,671	4,204,500	-	266,000	4,570,500	630,671
2014 Bond Murphy (lockers, curtains)	015-032	-	662,402	662,402	-	662,402	-	662,402	-	-	662,402	-
2014 Bond Phase 2 Murphy	015-034	-	7,562,557	7,562,557	-	7,562,557	-	7,562,557	-	2,000,000	7,562,557	-
2014 Bond North Country (exterior lighting)	018-016	-	158,963	158,963	-	158,963	-	158,963	-	-	158,963	-
2014 Bond -North Country Leng Cnt.	018-020	-	330,677	330,677	-	330,677	-	330,677	-	-	330,677	-
2014 Bond Ward Melville Field House	064-001	198,900	213,715	213,715	-	213,715	-	213,715	-	-	213,715	-
2014 Bond North Country - Maint. Bldg	3071-001	-	1,901,441	1,901,441	-	1,901,441	-	1,901,441	-	-	1,901,441	-
2014 Bond to be allocated		25,216,246	0	387,092	(35,000)	352,092	(352,092)	-	-	-	-	(352,092)
Subtotal 2014 bond projects		28,508,786	56,942,500	42,588,435	12,883,555	55,471,990	1,470,510	54,155,000	-	2,787,500	56,942,500	1,470,510
2015 Energy performance contract		6,554,959	6,554,959	6,554,959	-	6,554,959	-	6,554,959	-	-	6,554,959	-
2014 Gelinias (electric)	008-033	-	35,335	35,335	-	35,335	-	35,335	-	-	35,335	-
2014 Melville (electric)	009-037	-	44,232	44,232	-	44,232	-	44,232	-	-	44,232	-
14/15 North Country	018-021	600,000	685,000	287,909	-	287,909	397,091	-	-	287,909	287,909	-
15/16 Mount	006-030	300,000	300,000	187,940	12,108	200,048	99,952	-	-	300,000	300,000	99,952
15/16 Ward Melville	009-042	1,480,000	1,680,000	351,861	1,343,188	1,695,049	(15,049)	-	-	1,680,000	1,680,000	(15,049)
16/17 Setauket	001-037	317,250	317,250	14,710	0	14,710	302,540	-	-	317,250	317,250	302,540
16/17 Nassakeag	002-031	749,440	749,440	23,640	120,943	144,583	604,857	-	-	749,440	749,440	604,857
16/17 Mount	006-031	640,880	640,880	32,496	27,728	60,224	580,656	-	-	640,880	640,880	580,656
16/17 Arrowhead	007-030	498,120	498,120	13,359	62,188	75,547	422,573	-	-	498,120	498,120	422,573
16/17 Gelinias	008-039	436,120	436,120	8,590	90,532	99,122	336,998	-	-	436,120	436,120	336,998
16/17 Ward Melville	009-043	119,230	119,230	4,555	5,000	9,555	109,675	-	-	119,230	119,230	109,675
16/17 Minnesauke	014-030	502,840	502,840	12,020	57,263	69,283	433,557	-	-	502,840	502,840	433,557
16/17 Murphy	015-036	436,120	436,120	11,391	72,951	84,342	351,778	-	-	436,120	436,120	351,778
17/18 Setauket	001-038	668,500	668,500	-	7,378	7,378	661,122	-	-	668,500	668,500	661,122
17/18 Nassakeag	002-032	500,000	500,000	-	4,237	4,237	495,763	-	-	500,000	500,000	495,763
17/18 Arrowhead	007-031	500,000	500,000	-	4,237	4,237	495,763	-	-	500,000	500,000	495,763
17/18 Gelinias	008-040	1,770,000	1,770,000	-	798,833	798,833	971,167	-	-	1,770,000	1,770,000	971,167
17/18 Minnesauke	014-031	475,000	475,000	-	4,237	4,237	470,763	-	-	475,000	475,000	470,763
Smart Schools Bond Act		3,395,850	3,395,850	-	550,110	550,110	2,845,740	-	-	-	-	(550,110) *
Transfer of surplus funds back to general fund (009-037, 018-021)		425,597	425,597	-	425,597	425,597	-	28,506	-	397,091	425,597	-
TOTAL		\$ 48,878,692	\$ 77,676,973	\$ 50,171,432	\$ 16,470,085	\$ 66,641,517	\$ 11,035,456	\$ 60,818,032	\$ -	\$ 13,066,000	\$ 73,884,032	\$ 7,242,515

* The deficit will be eliminated once the District received the NYS Smartbond Act funds

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2018**

Capital assets, net		\$172,853,276
Deduct:		
Short-term portion of bonds payable	\$9,920,000	
Long-term portion of bonds payable	96,725,000	
Less: Unspent bond proceeds	(1,639,668)	
Short-term portion of energy performance debt	1,187,157	
Long-term portion of energy performance debt	10,177,141	
Gain on defeasance	<u>2,410,672</u>	<u>118,780,302</u>
Net Investment in capital assets		<u><u>\$54,072,974</u></u>

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Federal Grant Compliance Audit

June 30, 2018

INDEPENDENT AUDITORS' 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

The Board of Education
Three Village Central School District
Stony Brook, New York

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

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 9, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
Three Village Central School District
Stony Brook, New York

Report on Compliance for Each Major Federal Program

We have audited Three Village 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, 2018. The District's major federal program is identified in the summary of auditors' 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 applicable to its federal programs.

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 (CFR) 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.

Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

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 the 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 9, 2018

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Agency or Pass-through Number	Program Expenditures	Expenditures by CFDA Number	Expenditures to Subrecipients
<u>U.S. Department of Education</u>					
<u>Passed-through NYS Education Department:</u>					
Special Education Grants to States (IDEA, Part B)	84.027	0032-18-0878	<u>1,417,748</u>	\$1,417,748	0
Special Education Preschool Grants (IDEA Preschool)	84.173	0033-18-0878	<u>59,490</u>	59,490	0
Total Special Education Cluster			<u>1,477,238</u>		
Title I Grants to Local Educational Agencies	84.010	0021-17-2960	16,191		
Title I Grants to Local Educational Agencies	84.010	0021-18-2960	<u>192,542</u>	208,733	0
English Language Acquisition Grants	83.365	0149-17-2960	1,470		
English Language Acquisition Grants	84.365	0149-18-2960	<u>16,619</u>	18,089	0
Supporting Effective Instruction State Grants	84.367	0147-17-2960	17,913		
Supporting Effective Instruction State Grants	84.367	0147-18-2960	<u>109,996</u>	<u>127,909</u>	0
Total U.S. Department of Education				<u>1,831,969</u>	<u>0</u>
<u>U.S. Department of Agriculture</u>					
<u>Passed-through NYS Education Department:</u>					
National School Lunch Program (cash assistance)	10.555	N/A	308,001		
National School Lunch Program (non-cash food distribution)	10.555	N/A	<u>146,810</u>	454,811	0
School Breakfast Program (cash assistance)	10.553	N/A	<u>12,398</u>	<u>12,398</u>	0
Total Child Nutrition Cluster			<u>467,209</u>		
Total U.S. Department of Agriculture				<u>467,209</u>	<u>0</u>
Total Federal Awards Expended				<u>\$2,299,178</u>	<u>\$0</u>

THREE VILLAGE CENTRAL SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2018

(1) Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which are described in note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of the Uniform Guidance.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District does not use the 10% de minimis election.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

(2) Subrecipients

No amounts were provided to subrecipients.

(3) Nonmonetary Federal Program

The District is the recipient of a federal award program (CFDA No. 10.555) that does not result in cash receipts or disbursements termed a "nonmonetary program." During the year ended June 30, 2018, the District used \$146,810 worth of food commodities as reported in the schedule of expenditures of federal awards.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- Type of auditors' report issued on whether the basic financial statements audited were prepared in accordance with GAAP: Unmodified
- Internal control over financial reporting:
1. Material weakness(es) identified? ☐ Yes ☒ No
2. Significant deficiency(ies) identified not considered to be material weakness(es)? ☐ Yes ☒ None reported
3. Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

- Internal control over major programs:
4. Material weakness(es) identified? ☐ Yes ☒ No
5. Significant deficiency(ies) identified not considered to be material weakness(es)? ☐ Yes ☒ None reported
- Type of auditors' report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)(Uniform Guidance)? ☐ Yes ☒ No
7. The District's major programs audited was:
- | <u>Name of Federal Programs</u> | <u>CFDA Number</u> |
|---------------------------------|--------------------|
| Special Education Cluster | 84.027/84.173 |
| Title I | 84.010 |
8. Dollar threshold used to distinguish between Type A and Type B programs. \$750,000
9. Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable finding and questioned costs.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
Status of Prior Year Audit Findings
Year ended June 30, 2018

There were no audit findings in the prior year financial statements (June 30, 2017).

REPORT TO THE BOARD

October 9, 2018

The Board of Education
Three Village Central School District
Stony Brook, New York

We have audited the financial statements of the governmental activities, each major fund, and the fiduciary funds of Three Village Central School District (the District) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Three Village Central School District are described in note 1 to the financial statements. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As discussed in note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," during the year ended June 30, 2018.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Useful life of capital assets - Management's estimate of the useful life of capital assets is based on historical asset life information for the District's capital assets and industry standards, in order to determine the value and period of time over which individual capital assets are to be depreciated. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

- Accounting for pensions (ERS/TRS) - Management's estimate for the accounting and disclosures related to pensions is based upon audited information provided directly to the District. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Compensated absences liability - Management's estimate of the liability for compensated absences is based on vested accumulated sick, vacation and/or leave payouts. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Other postemployment benefits obligation - Management's estimate of the liability for other postemployment benefits is based on an actuarial valuation report prepared by a third party. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Workers' Compensation claims payable - Management's estimate of the liability for workers' compensation payable is provided by a third party. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of long-term debt in note 11 to the financial statements.
- The disclosure of pension obligations in note 13 to the financial statements.
- The disclosure of other postemployment benefits in note 15 to the financial statements.
- The disclosure of commitments and contingencies in note 18 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no material misstatements detected as a result of our audit procedures.

Disagreements with Management

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompanies the financial statements but is not RSI. The accompanying schedule of expenditures of federal awards is required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), and is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

* * * * *

This information is intended solely for the use of the Board of Education and management of Three Village Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

EFPR Group, CPAs, PLLC

EFPR GROUP, CPAs, PLLC

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Extraclassroom Activity Fund
and Independent Auditor's Report

June 30, 2018

THREE VILLAGE CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Three Village Central School District

Report on the Financial Statements

We have audited the accompanying statements of cash receipts, cash disbursements and cash balances of Three Village Central School District's (the District) Extraclassroom Activity Fund as of and for the year ended June 30, 2018, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the statements of cash receipts, cash disbursements and cash balances in accordance with the cash basis of accounting described in note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the statement of cash receipts, cash disbursements and cash balances referred to above presents fairly, in all material respects, the cash receipts, cash disbursements and cash balances of Three Village Central School District's Extraclassroom Activity Fund for the year ended June 30, 2018, in accordance with the basis of accounting as described in note 2.

Basis of Accounting

We draw attention to note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 9, 2018

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CASH BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Location</u>	<u>Balance at July 1, 2017</u>	<u>Cash Receipts and Transfers</u>	<u>Cash Disbursements and Transfers</u>	<u>Balance at June 30, 2018</u>
Ward Melville High School	\$ 333,059	851,966	864,538	320,487
R.C. Murphy Junior High School	75,306	198,019	214,398	58,927
Gelinas Junior High School	63,992	167,076	187,950	43,118
Arrowhead Elementary School	11,167	52,926	52,780	11,313
Minnesauke Elementary School	16,002	30,170	30,759	15,413
Setauket Elementary School	9,223	59,299	57,156	11,366
Nassakeag Elementary School	15,695	43,057	50,457	8,295
Mount Elementary School	9,711	40,679	38,572	11,818
Three Village Academy	341	-	341	-
	<u>\$ 534,496</u>	<u>1,443,192</u>	<u>1,496,951</u>	<u>480,737</u>

THREE VILLAGE CENTRAL SCHOOL DISTRICT
EXTRACURRICULAR ACTIVITY FUNDS
WARD MELVILLE HIGH SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Extracurricular Account</u>	<u>Balance July 1, 2017</u>	<u>Cash Receipts and Transfers</u>	<u>Cash Disbursements and Transfers</u>	<u>Balance June 30, 2018</u>
Alumni of Distinction	\$ 1,107	-	-	1,107
AP Biology Club (Forensics)	2,939	-	-	2,939
Art Honor Society	2,992	3,123	2,315	3,800
Asian Culture Club	1,047	-	-	1,047
Astronomy	-	1,015	857	158
Athletics	13,427	13,011	15,978	10,460
Bookstore	17,187	19,657	24,928	11,916
Boys Basketball	-	9,193	8,190	1,003
Boys Lacrosse Club	3,706	5,879	6,175	3,410
Boys Soccer	275	5,650	5,315	610
Boys Varsity Baseball	11,557	8,728	9,306	10,979
Boys Varsity Golf	7	-	-	7
Boys Volleyball	776	-	-	776
Caps and Gowns	8,928	20,243	22,646	6,525
Ceramics	1,168	409	132	1,445
Cheerleading	63	-	-	63
Choir Club	7,801	179,205	185,839	1,167
Cinnabar	1,916	1,749	2,810	855
Computer Science	13	-	-	13
Debate Team	2,417	3,121	3,756	1,782
DECA	3,768	41,016	41,313	3,471
Environmental Club	2,058	180	384	1,854
Fencing	2,569	1,162	522	3,209
Field Hockey	2,167	-	-	2,167
Fishing	1,787	22,247	17,806	6,228
Flagline (Marching Band)	18,345	15,484	25,636	8,193
Football	262	-	0	262
French Honor Society	2	6,923	6,857	68
Gala	3,601	284	419	3,466
Gay Straight Alliance	592	-	0	592
Girls Basketball	2,362	8,542	9,128	1,776
Girls Lacrosse	195	-	-	195
Girls Soccer	30	-	-	30
Girls Softball	2,389	3,190	3,555	2,024
Girls Swimming	771	-	-	771
Girls Track	3,299	887	2,790	1,396
Global Tutoring Ambassadors	15	171	186	-
Greenhouse	387	387	-	774
Gymnastics	262	-	-	262
Habitat for Humanity	-	8,447	6,463	1,984
Hebrew Culture Club	527	654	476	705
Balance Carried Forward	122,714	380,557	403,782	99,489

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
WARD MELVILLE HIGH SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Extracurricular Account</u>	<u>Balance July 1, 2017</u>	<u>Cash Receipts and Transfers</u>	<u>Cash Disbursements and Transfers</u>	<u>Balance June 30, 2018</u>
Balance Carried Forward	\$ 122,714	380,557	403,782	99,489
HOSA	50	1,717	1,181	586
InSTAR™	270	-	-	270
International Culture Club	73	271	-	344
Italian Honor Society	370	3,898	3,612	656
Jazz Lab	24	755	66	713
JV Cheerleading	3,486	6,014	7,021	2,479
Kaleidoscope	1,220	7,167	8,197	190
Key Club	1,658	22,491	20,062	4,087
Math Team	96	380	420	56
Media Club	1,639	-	-	1,639
Model UN	18	17,913	16,323	1,608
Murder Mystery	1,293	-	-	1,293
National Honor Society	8,954	7,948	6,004	10,898
Orchestra Club	2,694	60,006	60,753	1,947
PACT	37	-	-	37
Patriot League	120	1,278	689	709
Patriot Pride Day	4,662	3,681	4,200	4,143
Philosophy Club	-	80	49	31
Photography	769	366	791	344
Prom	14,882	87,375	83,831	18,426
Robotics	5,891	1,444	6,751	584
Science Bowl	242	-	-	242
Science Olympiad	5,662	12,358	13,997	4,023
Secular Student Alliance	115	-	-	115
Senior Art Show	1,805	7,214	2,719	6,300
Senior Festival	11	-	-	11
SHARP	3,406	3,090	2,570	3,926
Spanish Honor Society	502	2,634	2,670	466
Student Government	35,648	59,595	53,581	41,662
Students United in Faith	92	245	40	297
Symphonic Band Club	2	-	-	2
Travel Club (Field Trips)	1,814	53,999	54,203	1,610
The Living Book Project	7,525	-	-	7,525
Tri-M Honor Society	3,260	6,449	6,782	2,927
Wind Ensemble	3,643	26,245	22,987	6,901
WM Cross Country Boys	2,230	-	-	2,230
WM Musical Club	13,174	41,690	45,731	9,133
WM Players	23,542	10,989	7,459	27,072
Wrestling	140	-	-	140
Yearbook	59,303	24,117	28,067	55,353
Young Composers	23	-	-	23
Total	<u>\$ 333,059</u>	<u>851,966</u>	<u>864,538</u>	<u>320,487</u>

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
R.C. MURPHY JUNIOR HIGH SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Extracurricular Account	Balance July 1, 2017	Cash Receipts and Transfers	Cash Disbursements and Transfers	Balance June 30, 2018
Art Junior Honor Society	\$ 507	261	306	462
Band	369	11,979	12,038	310
Careers Club	847	371	1,217	1
Chorus/Band	2,148	10,051	9,601	2,598
Drama	6,860	51,875	57,733	1,002
Girl Up Club	-	203	202	1
Global Language Honor Society	7,289	5,818	7,249	5,858
Greenhouse Club	2,393	835	863	2,365
Key Club	874	-	-	874
Kickline Club	18	-	-	18
National Junior Honor Society	285	2,368	2,186	467
Newspaper Club	4	360	311	53
NYSSMA	5,405	3,586	2,386	6,605
Orchestra	9,037	1,101	7,148	2,990
RCM Model UN Club	52	-	24	28
Science Booster	2,287	11,625	8,367	5,545
Science Olympiad	866	845	1,150	561
Student Council	10,272	83,212	80,407	13,077
Student Leadership	15,693	6,735	18,640	3,788
Yearbook	10,100	6,794	4,570	12,324
Total	<u>\$ 75,306</u>	<u>198,019</u>	<u>214,398</u>	<u>58,927</u>

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
GELINAS JUNIOR HIGH SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Extraclassroom Account	Balance July 1, 2017	Cash Receipts and Transfers	Cash Disbursements and Transfers	Balance June 30, 2018
Cheerleaders	\$ -	418	385	33
Global Lang, Honor Soc.	696	4,762	3,832	1,626
Greenhouse	508	361	404	465
Lego Club	71	-	-	71
Math Club	158	-	-	158
Mock Trial	1,521	-	282	1,239
Music	1,612	870	1,305	1,177
National Junior Art Honor Society	82	1,622	1,542	162
National Junior Honor Society	157	1,514	1,548	123
Newspaper	1,598	500	1,180	918
SAVE	576	-	-	576
Science Olympiad	7,092	58,585	74,938	(9,261)
Student Government I	20,525	46,433	42,911	24,047
Student Government II	7,268	23,138	19,747	10,659
Thespians	3,169	21,309	24,150	328
Wood Workers	179	-	145	34
Yearbook	18,780	7,564	15,581	10,763
Total	<u>\$ 63,992</u>	<u>167,076</u>	<u>187,950</u>	<u>43,118</u>

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
ARROWHEAD ELEMENTARY SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Extraclassroom Account</u>	<u>Balance July 1, 2017</u>	<u>Cash Receipts and Transfers</u>	<u>Cash Disbursements and Transfers</u>	<u>Balance June 30, 2018</u>
General Student Act Club	\$ 10,104	52,725	52,570	10,259
Literary Fund	1,063	201	210	1,054
Total	<u>\$ 11,167</u>	<u>52,926</u>	<u>52,780</u>	<u>11,313</u>

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
MINNESAUKE ELEMENTARY SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Extraclassroom Account</u>	<u>Balance July 1, 2017</u>	<u>Cash Receipts and Transfers</u>	<u>Cash Disbursements and Transfers</u>	<u>Balance June 30, 2018</u>
Arts & Sciences Club	\$ 7,510	25,596	27,637	5,469
General Student Act Club	8,492	4,574	3,122	9,944
Total	<u>\$ 16,002</u>	<u>30,170</u>	<u>30,759</u>	<u>15,413</u>

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
SETAUKET ELEMENTARY SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Extraclassroom Account	Balance July 1, 2017	Cash Receipts and Transfers	Cash Disbursements and Transfers	Balance June 30, 2018
General Student Act Club	\$ 2,331	16	-	2,347
Outdoor Education Club	4,350	59,283	57,156	6,477
Student Council Club	2,542	-	-	2,542
Total	<u>\$ 9,223</u>	<u>59,299</u>	<u>57,156</u>	<u>11,366</u>

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
NASSAKEAG ELEMENTARY SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Extraclassroom Account</u>	<u>Balance July 1, 2017</u>	<u>Cash Receipts and Transfers</u>	<u>Cash Disbursements and Transfers</u>	<u>Balance June 30, 2018</u>
Cultural Arts Club	\$ 6,442	43,057	46,732	2,767
General Student Act Club	1,250	-	684	566
Nass Book Store	2,284	-	2,257	27
Wellness Club	5,719	-	784	4,935
Total	<u>\$ 15,695</u>	<u>43,057</u>	<u>50,457</u>	<u>8,295</u>

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
MOUNT ELEMENTARY SCHOOL
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Extraclassroom Account</u>	<u>Balance July 1, 2017</u>	<u>Cash Receipts and Transfers</u>	<u>Cash Disbursements and Transfers</u>	<u>Balance June 30, 2018</u>
Cultural Arts Club	\$ (2,153)	33,907	33,737	(1,983)
School Spirit	4,182	1,500	43	5,639
Drama Club	7,682	5,272	4,792	8,162
Total	<u>\$ 9,711</u>	<u>40,679</u>	<u>38,572</u>	<u>11,818</u>

**THREE VILLAGE CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
THREE VILLAGE ACADEMY
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Extraclassroom Account</u>	<u>Balance July 1, 2017</u>	<u>Cash Receipts and Transfers</u>	<u>Cash Disbursements and Transfers</u>	<u>Balance June 30, 2018</u>
Field Trips	\$ 341	-	341	-
Total	<u>\$ 341</u>	<u>-</u>	<u>341</u>	<u>-</u>

THREE VILLAGE CENTRAL SCHOOL DISTRICT
Extraclassroom Activity Funds
Notes to Financial Statements
June 30, 2018

(1) Descriptions of Operations

Student activity funds are defined by the New York State Education Department as “funds raised other than by taxation, or through charges of a Board of Education, for, by or in the name of a school, student body or any subdivision thereof.

Activity funds are raised and expended by student bodies to promote the general welfare, education, and morale of all pupils, and to finance the normal, legitimate extracurricular activities of the student body organization.

The Superintendent of the District has responsibility and authority to implement all policies and rules pertaining to the supervision and administration of school activity funds in accordance with established policies and rules of the District’s Board of Education.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The books and records of the extraclassroom activity funds are maintained on the cash basis of accounting. Under this basis of accounting, cash is recognized when it is received and disbursements are recognized when checks are issued.

(b) Interest Income

Interest earned during the year has been credited to the Student Council Fund.

(c) Bank Charges

All bank service charges have been charged to the respective activity fund.

(d) Inactive Accounts

Account balances of inactive clubs have been transferred to the Student Council Fund.