

Financial Statements

**LONGWOOD CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS**

June 30, 2018

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Longwood Central School District
Middle Island, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Longwood 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.

Financial Statements

Changes in Accounting Principles

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District’s proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District’s total OPEB liability and related ratios on pages 3 through 16 and 53 through 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Longwood Central School District’s basic financial statements. The other supplementary information on pages 58 through 61 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018 on our consideration of the Longwood Central School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Longwood Central School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Longwood Central School District’s internal control over financial reporting and compliance.

October 18, 2018

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The Longwood Central School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018 in comparison with the year ended June 30, 2017, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

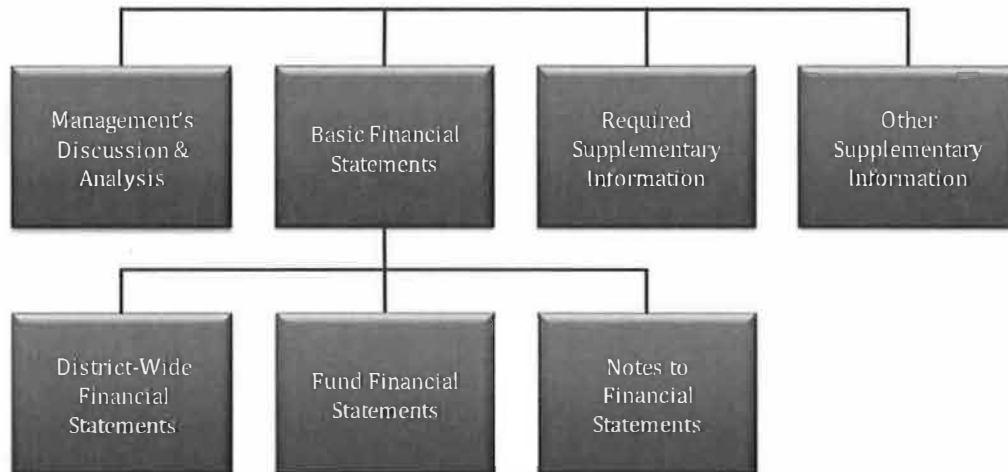
- The general fund's total fund balance, as reflected in the fund financial statements, is \$36,064,329. This represents a decrease of 10.1% from the prior year. The District's general fund expenditures and other financing uses exceeded revenues and other financing sources by \$4,045,438 based on the current financial resources measurement focus and the modified accrual basis of accounting. This was primarily due to the voter approved transfer of \$8,024,607 from the capital reserve to the capital projects fund.
- The District's total net position at June 30, 2017 was restated and decreased by \$254,292,305, as a result of the required implementation of a new GASB accounting standard during the 2018 fiscal year. This new GASB accounting standard has no impact on the governmental funds financial statements.
- The District's total net position, as reflected in the district-wide financial statements, decreased by \$1,038,170. This was due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$250,604,135. Of this amount, \$14,295,960 was offset by program charges for services and operating and capital grants. General revenues of \$235,270,005 amount to 94.3% of total revenues, and were not adequate to cover the balance of program expenses.
- The District received \$9,022,492 in operating and capital grants to support instructional programs.
- The general fund's unassigned fund balance at year end was \$10,000,000. This represents an increase of 3.00% over the prior year. The unassigned fund balance is at a level that leaves the District in a fiscally prudent position and is in accordance with the legal limit set by New York State Real Property Tax Law §1318.
- The District's 2018 property tax levy of \$137,864,766 was a 2.9% increase over the 2017 tax levy and was equal to the property tax cap.
- On May 15, 2018, the proposed 2018-2019 budget in the amount of \$250,000,000 was authorized by the District's residents. Sixty-nine percent of the residents who voted supported the budget.
- The District maintained an AA+ credit rating from Standard & Poor's for its bond borrowing. This rating will save the taxpayers several million dollars over the life of the bonds.

Financial Statements

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

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



A. **District-Wide Financial Statements**

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

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

The Statement of Net Position

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

The Statement of Activities

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

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Fund Financial Statements

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position decreased by \$1,038,170 between fiscal year 2018 and 2017. The June 30, 2017 net position has been decreased by \$254,292,305, resulting from the implementation of GASB

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, the June 30, 2017 balances reflect total OPEB liabilities in accordance with the new GASB Statement. A summary of the District's Statements of Net Position follows:

	2018	As Restated 2017	Increase (Decrease)	Percentage Change
Asset				
Current and Other Assets	\$ 64,359,413	\$ 62,596,044	\$ 1,763,369	2.82 %
Capital Assets, Net	187,549,790	190,333,461	(2,783,671)	(1.46)%
Net Pension Asset - Proportionate Share	<u>4,450,205</u>	<u></u>	<u>4,450,205</u>	N/A
Total Assets	<u>256,359,408</u>	<u>252,929,505</u>	<u>3,429,903</u>	1.36 %
Deferred Outflows of Resources	<u>66,573,506</u>	<u>66,201,966</u>	<u>371,540</u>	0.56 %
Liabilities				
Current and Other Liabilities	18,657,626	19,646,738	(989,112)	(5.03)%
Long-Term Liabilities	74,741,507	87,731,510	(12,990,003)	(14.81)%
Due to ERS	2,713,233	3,161,132	(447,899)	(14.17)%
Net Pension Liability - Proportionate Share	2,264,648	12,127,580	(9,862,932)	(81.33)%
Total OPEB Obligation	<u>378,439,126</u>	<u>383,089,883</u>	<u>(4,650,757)</u>	(1.21)%
Total Liabilities	<u>476,816,140</u>	<u>505,756,843</u>	<u>(28,940,703)</u>	(5.72)%
Deferred Inflows of Resources	<u>37,592,803</u>	<u>3,812,487</u>	<u>33,780,316</u>	886.04 %
Net Position (Deficit)				
Net investment in capital assets	134,228,158	124,487,481	9,740,677	7.82 %
Restricted	27,606,575	24,472,385	3,134,190	12.81 %
Unrestricted (Deficit)	<u>(353,310,762)</u>	<u>(339,397,725)</u>	<u>(13,913,037)</u>	(4.10)%
Total Net Position (Deficit)	<u>\$ (191,476,029)</u>	<u>\$ (190,437,859)</u>	<u>\$ (1,038,170)</u>	(0.55)%

Current and other assets increased by \$1,763,369, over the prior year. The increase is primarily related to an increase in amounts due from state and federal of \$1,679,871 related to the Smart Schools Bond Act and the timing of payments received by the District.

Capital assets, net decreased by \$2,783,671, as compared to the prior year. This decrease is due to depreciation expense in excess of capital assets additions. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset – proportionate share has a balance of \$4,450,205, as the New York State Teachers' Retirement System experienced a gain resulting in an ending balance that was an asset. The prior year balance was a liability.

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

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

Current and other liabilities decreased by \$989,112, as compared to the prior year. This decrease is due to decreases in amounts due to other governments and amounts due to the teachers' retirement system. These decreases were offset by increases in accounts payable, accrued liabilities and short term compensated absence liabilities.

Long-term liabilities decreased by \$12,990,003 from the prior year. This decrease is the result of the repayment of the current maturity of bond and installment purchase indebtedness.

Due to employees' retirement system decreased \$447,899. This decrease represents the current year's principal payment on the amounts owed to the retirement system under the stabilization program.

Net pension liability - proportionate share decreased by \$9,862,932 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Total other postemployment benefits (OPEB) obligation decreased by \$4,650,757, as compared to the prior year. This decrease is the result of the amount reflected in the governmental funds on the current financial resources measurement focus and the modified accrual basis (pay as you go) in excess of the current year OPEB costs on the full economic resources measurement focus and the accrual basis of accounting. The accompanying Notes to Financial Statements, Note 16 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

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

	Increase (Decrease)
Capital asset additions - total	\$ 3,572,867
Principal debt reduction of construction debt	12,435,000
Principal debt reduction of installment purchase debt	89,348
Depreciation expense	<u>(6,356,538)</u>
	<u>\$ 9,740,677</u>

The restricted amount of \$27,606,575 relates to the District's reserves. This number increased over the prior year by \$3,134,190, principally due to the funding of the retirement contribution reserve in the amount of \$2,000,000, the employee benefit accrued liability reserve of \$2,157,938 and the workers' compensation reserve of \$800,000. Interest earned on reserve accounts totaled \$230,410. These increases are offset by the planned use of appropriated reserves of \$1,600,000, of which \$24,991 was returned to the unemployment insurance reserve as unused. Additionally, amounts restricted for debt service decreased by \$200,000, as a result of the planned use of amounts restricted for debt service to

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LONGWOOD CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

offset debt payments. Lastly, the voters approved an appropriation from capital reserve 1 in the amount of \$8,024,607 in October 2017. Of the amount appropriated, \$279,149 was spent on capital expenditures during the 2017-2018 school year. The remaining is retained as restricted in the capital projects fund.

The unrestricted deficit amount of \$353,310,762 relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$13,913,037, primarily as a result of the inclusion of the proportionate share of the state retirement plans collective assets, deferred outflows, liabilities and deferred inflows and an unfunded addition to the OPEB liability.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 2,018,695	\$ 2,126,058	\$ (107,363)	(5.05)%
Operating Grants	11,088,234	11,056,787	31,447	0.28 %
Capital Grants	1,189,031	31,500	1,157,531	3674.70 %
General Revenues				
Property Taxes and STAR	137,864,766	134,022,359	3,842,407	2.87 %
State Sources	93,042,554	91,214,880	1,827,674	2.00 %
Other	4,362,685	3,220,953	1,141,732	35.45 %
Total Revenues	<u>249,565,965</u>	<u>241,672,537</u>	<u>7,893,428</u>	3.27 %
Expenses				
General Support	26,148,198	25,542,825	605,373	2.37 %
Instruction	204,194,168	198,281,107	5,913,061	2.98 %
Pupil Transportation	14,183,532	12,285,825	1,897,707	15.45 %
Community Services	189,001	364,862	(175,861)	(48.20)%
Debt Service - Interest	1,617,412	1,951,115	(333,703)	(17.10)%
Food Service Program	4,271,824	4,081,278	190,546	4.67 %
Total Expenses	<u>250,604,135</u>	<u>242,507,012</u>	<u>8,097,123</u>	3.34 %
Decrease in Net Position	<u>\$ (1,038,170)</u>	<u>\$ (834,475)</u>	<u>\$ (203,695)</u>	(24.41)%

The District's net position decreased by \$1,038,170 and \$834,475 for the years ended June 30, 2018 and June 30, 2017, respectively.

The District's total revenues increased by \$7,893,428 or 3.27%. The major factors that contributed to the increase were:

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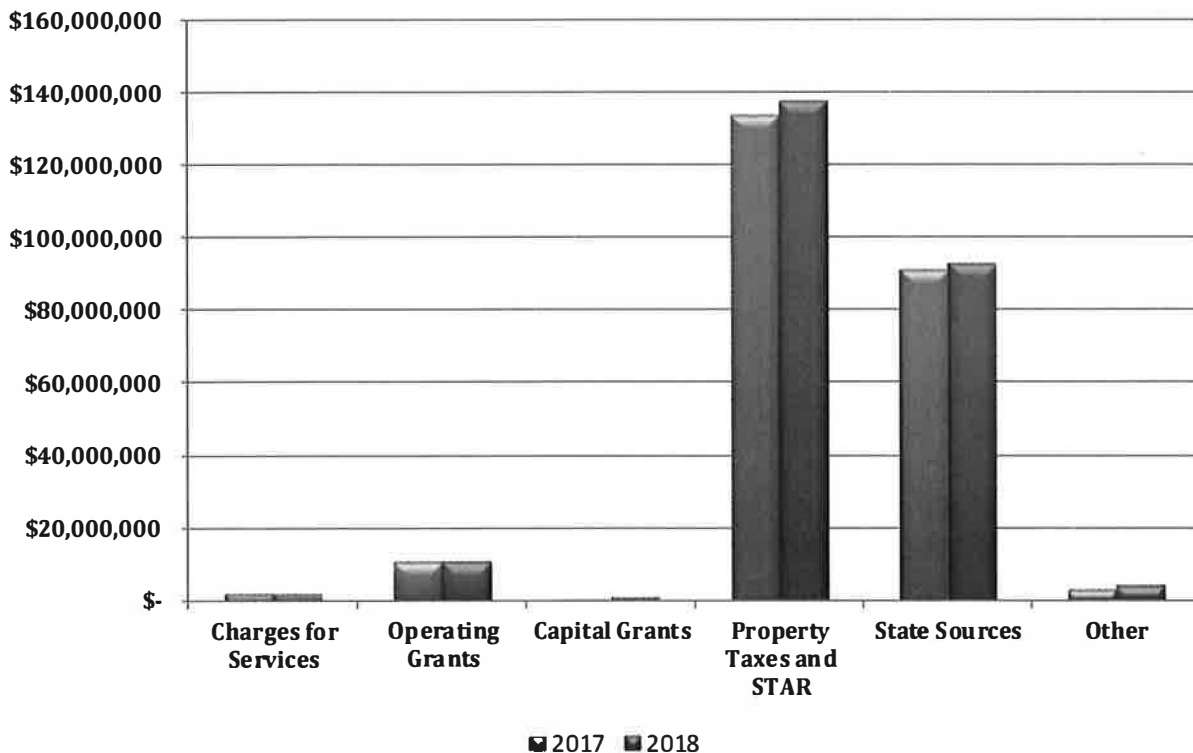
LONGWOOD CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- Property taxes and STAR revenues increased by \$3,842,407.
- State sources revenues increased by \$1,827,674.
- Capital grants increased by \$1,157,531.
- Other revenues increased by \$1,141,732.

The District's total expenses for the year increased by \$8,097,123 or 3.34%. The increase in expense is primarily due to increases in instruction and pupil transportation. The primary reason for the increase in instruction is due to the impact of the net change in other postemployment benefits costs allocated. Pupil transportation expenses increased due to an increase in contract bus expenses.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 55.2% and 55.5% of the total for the years 2018 and 2017, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 81.5% and 81.7% of the total for the years 2018 and 2017, respectively).

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



	Charges for Services	Operating Grants	Capital Grants	Property Taxes and STAR	State Sources	Other
2017	0.9%	4.6%	0.0%	55.5%	37.7%	1.3%
2018	0.8%	4.4%	0.5%	55.2%	37.3%	1.8%

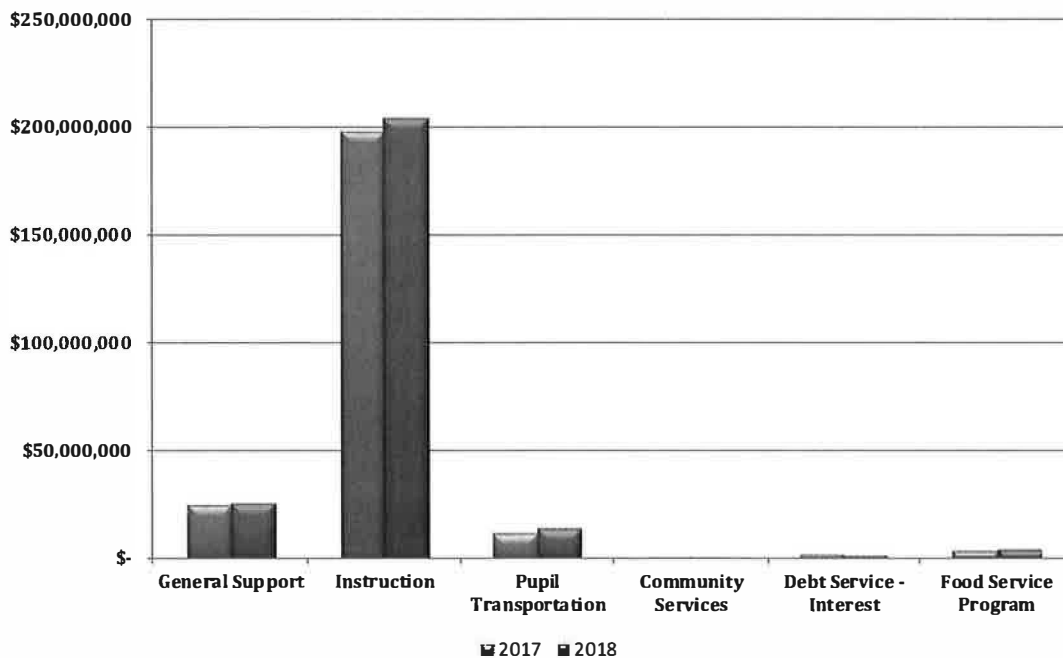
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LONGWOOD CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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



	General Support	Instruction	Pupil Transportation	Community Services	Debt Service - Interest	Food Service Program
2017	10.5%	81.7%	5.1%	0.2%	0.8%	1.7%
2018	10.4%	81.5%	5.7%	0.1%	0.6%	1.7%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$44,850,697, which is an increase of \$1,485,699 over the prior year. This increase is due to an excess of revenues over expenditures based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2018	2017	Increase (Decrease)
General Fund			
Restricted			
Workers' compensation	\$ 1,679,949	\$ 1,069,869	\$ 610,080
Unemployment insurance	157,774	181,076	(23,302)
Retirement contribution	3,982,049	2,657,015	1,325,034
Liability	223,681	221,593	2,088
Employee benefit accrued liability	10,714,003	9,119,841	1,594,162
Capital	3,027,240	10,950,000	(7,922,760)
Assigned:			
Appropriated fund balance	6,000,000	6,000,000	-
Unappropriated fund balance	279,633	198,373	81,260
Unassigned: Fund balance	10,000,000	9,712,000	288,000
	<u>36,064,329</u>	<u>40,109,767</u>	<u>(4,045,438)</u>

Financial Statements

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

	2018	2017	Increase (Decrease)
School Food Service Fund			
Nonspendable: Inventory	\$ 169,374	\$ 168,629	\$ 745
Assigned: Unappropriated fund balance	1,938,377	1,663,671	274,706
	<u>2,107,751</u>	<u>1,832,300</u>	<u>275,451</u>
Debt Service Fund			
Restricted: Debt service	<u>76,421</u>	<u>272,991</u>	<u>(196,570)</u>
Capital Projects Fund			
Restricted: Capital	7,745,458		7,745,458
Assigned: Unappropriated fund balance		1,149,940	(1,149,940)
Unassigned: Fund balance (deficit)	(1,143,262)		(1,143,262)
	<u>6,602,196</u>	<u>1,149,940</u>	<u>5,452,256</u>
 Total Fund Balance	 <u><u>\$ 44,850,697</u></u>	 <u><u>\$ 43,364,998</u></u>	 <u><u>\$ 1,485,699</u></u>

A. General Fund

The net change in the general fund fund balance is a decrease of \$4,045,438 compared to a \$3,480,279 increase in the prior year, as expenditures and other uses of \$240,370,277 exceeded revenues and other sources of \$236,324,839. Revenues increased by \$6,790,433 (2.96%) over fiscal 2017 totals, primarily because of the increases in real property taxes of \$4,213,820 and state sources of \$1,824,674. Expenditures and other uses increased \$14,316,150 (6.33%) over fiscal 2017 totals, primarily due to increases in instruction (\$2,262,545), pupil transportation (\$1,872,322), employee benefits (\$2,270,948) and operating transfers out (\$7,696,440). In October 2017, the voters authorized a transfer from the capital reserve to the capital projects fund in the amount of \$8,024,607.

On May 18, 2010, the voters of the District authorized the creation of a capital reserve, the funding for which is not to exceed \$12,000,000 in aggregate. The probable term is 15 years. As of June 30, 2018, \$11,896,779 of funding has been provided to the reserve in addition to \$168,290 of interest earned by the reserve. Voters have authorized the use of \$12,065,069 of the reserve since it was established. As of June 30, 2018, the reserve had a balance of \$0.

On May 16, 2017, the voters of the District authorized the creation of a capital reserve, the funding for which is not to exceed \$20,000,000 in aggregate. The probable term is 15 years. As of June 30, 2018, \$3,000,000 of funding has been provided to the reserve in addition to \$27,240 of interest earned by the reserve. As of June 30, 2018, the reserve had a balance of \$3,027,240.

The combined capital reserve balances at June 30, 2018 were \$3,027,240.

The District expects to appropriate \$1,600,000 from reserves during 2018-2019, as provided in the following table.

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

The following is a summary of the District's general fund restricted fund balance activity:

	Date Established	Balance @ June 30, 2017	2017-2018			Balance @ June 30, 2018	Appropriated for 2018-2019
			Interest Earned	Appropriated as of June 30, 2018	Additional Funding		
Workers' compensation	9/15/2005	\$ 1,069,869	\$ 10,080	\$ (200,000)	\$ 800,000	\$ 1,679,949	\$ 200,000
Unemployment insurance	6/18/2009	181,076	1,707	(25,009)		157,774	50,000
Retirement contribution	9/15/2005	2,657,015	25,034	(700,000)	2,000,000	3,982,049	700,000
Liability	6/14/2007	221,593	2,088			223,681	
Employee benefit accrued liability	10/23/2003	9,119,841	86,224	(650,000)	2,157,938	10,714,003	650,000
Capital # 1	5/18/2010	7,950,000	74,607	(8,024,607)			
Capital # 2	5/16/2017	3,000,000	27,240			3,027,240	

The District is committed to increasing cost saving strategies with the goal of replenishing reserves in future budgets.

B. School Food Service Fund

The net change in the school food service fund – fund balance is an increase of \$275,451, which was the operating profit. This includes a \$57,357 subsidy from the general fund to the school food service fund.

C. Debt Service Fund

The net change in the debt service fund is a decrease of \$196,570. The decrease represents the planned transfer to the general fund to offset debt payments less interest earned on the debt reserve.

D. Capital Projects Fund

The net change in the capital projects fund-fund balance is an increase of \$5,452,256, due primarily to amounts transferred from the general fund to capital projects fund in excess of expenditures.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2017-2018 Budget

The District's general fund adopted budget for the year ended June 30, 2018 was \$242,800,000. This amount was increased by encumbrances carried forward from the prior year in the amount of \$198,373 and budget revisions of \$8,024,607 for a total final budget of \$251,022,980.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$137,864,766 in estimated property taxes and STAR and estimated state sources of \$93,583,734.

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

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

Opening, Unassigned Fund Balance	\$ 9,712,000
Revenues Over Budget	1,124,839
Expenditures and Encumbrances Under Budget	10,373,070
Unused Appropriated Reserves	(24,991)
Allocation to Reserves	(5,184,918)
Appropriated for the 2018-19 Budget	<u>(6,000,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 10,000,000</u>

Opening, Unassigned Fund Balance

The \$9,712,000 shown in the table is the portion of the District's June 30, 2017 fund balance that was retained as unassigned. This was 4.0% of the District's 2017-2018 approved operating budget of \$242,800,000. It was the maximum unassigned fund balance permitted by law.

Revenues Over Budget

The 2017-2018 budget for revenues was \$235,200,000. Actual revenues received for the year were \$236,324,839. The excess of actual revenue over estimated or budgeted revenue was \$1,124,839, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2017 to June 30, 2018.

Expenditures and Encumbrances Under Budget

The 2017-2018 final budget for expenditures was \$251,022,980. Actual expenditures as of June 30, 2018 were \$240,370,277 and outstanding encumbrances were \$279,633. Combined, the expenditures plus encumbrances for 2017-2018 were \$240,649,910. The final budget was under expended by \$10,373,070. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2017 to June 30, 2018.

Unused Appropriated Reserves

In the 2017-2018 budget, \$1,600,000 of reserves were appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$24,991 of this funding was not needed and, therefore, it was returned to the reserves for future use.

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Allocation to Reserves

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

The \$(5,184,918) shown in the previous table is made up of transfers of \$2,000,000 to retirement contribution reserve, \$2,157,938 to employee benefit accrued liability reserve and \$800,000 to the workers' compensation reserve. Additionally, interest earnings of \$226,980 were allocated to the reserves.

Appropriated Fund Balance

The District has chosen to use \$6,000,000 of the available June 30, 2018 unassigned fund balance to partially fund the 2018-2019 approved operating budget. As such, the June 30, 2018 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the unassigned fund balance at June 30, 2018 was \$10,000,000. This amount equals 4% of the 2018-2019 budget and is at the statutory limit.

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

A. Capital Assets

At June 30, 2018, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of \$6,356,538 in excess of capital additions of \$3,572,867 recorded for the year ended June 30, 2018. A summary of the District's capital assets, net of depreciation at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Land	\$ 2,012,335	\$ 2,012,335	\$
Construction in progress	13,917,451	14,514,053	(596,602)
Buildings & improvements	166,903,987	168,671,588	(1,767,601)
Furniture & equipment	3,898,753	4,274,837	(376,084)
Land improvements	<u>817,264</u>	<u>860,648</u>	<u>(43,384)</u>
Capital assets, net	<u>\$ 187,549,790</u>	<u>\$ 190,333,461</u>	<u>\$ (2,783,671)</u>

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

B. Debt Administration

At June 30, 2018, the District had total debt payable of \$53,321,632. The bonds were issued for school building improvements, the refunding of bonds originally issued for school building improvements and the Library. The installment purchase debt was issued for copier equipment. A summary of the outstanding debt at June 30, 2018 and 2017 is as follows:

Issue Date	Interest Rate	2018	2017	Increase (Decrease)
Bonds Payable				
6/1/2009	3.90%	\$ 5,710,000	\$ 6,540,000	\$ (830,000)
11/22/2011	4.68%	3,250,000	6,350,000	(3,100,000)
10/31/2012	5.00%	10,680,000	17,045,000	(6,365,000)
12/18/2014	2.15-3.125%	14,845,000	15,560,000	(715,000)
6/15/2016	2.00-2.125%	18,785,000	20,210,000	(1,425,000)
		<u>\$ 53,270,000</u>	<u>\$ 65,705,000</u>	<u>\$ (12,435,000)</u>
Installment Purchase Debt				
Various	0.00%	<u>\$ 51,632</u>	<u>\$ 140,980</u>	<u>\$ (89,348)</u>

As of June 30, 2018, the District has yet to issue \$31,115,393 of the voter approved bond authorization.

The District's latest underlying, long-term credit rating from Standard & Poor's is AA+.

C. OTHER LONG-TERM LIABILITIES

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, employees' retirement system, net pension liability - proportionate share and total other postemployment benefits obligation. The compensated absences liability is based on employment contracts and the amount due to the employees' retirement system is based on agreement with the State, while the net pension liability - proportionate share and the total other postemployment benefits obligation are based on actuarial valuations.

	2018	As Restated 2017	Increase (Decrease)
Compensated absences payable	\$ 20,353,701	\$ 20,105,582	\$ 248,119
Due to employees' retirement system	2,713,233	3,161,132	(447,899)
Net pension liability - proportionate share	2,264,648	12,127,580	(9,862,932)
Total OPEB obligation	<u>378,439,126</u>	<u>383,089,883</u>	<u>(4,650,757)</u>
	<u>\$ 403,770,708</u>	<u>\$ 418,484,177</u>	<u>\$ (14,713,469)</u>

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 15, 2018, for the year ending June 30, 2019, is \$250,000,000. This is an increase of \$7,200,000 or 2.97% over the previous year's budget. The increase is principally in the instructional program area of the budget.

The District budgeted revenues other than property taxes and STAR at a \$3,003,688 increase over the prior year's estimate. The assigned, appropriated fund balance applied to the budget in the amount of \$6,000,000 is the same as the previous year. Additionally, the District has elected to appropriate \$1,600,000 of reserves towards the next year's budget, which is also the same as the previous year. A property tax increase of \$4,196,312 (3.04%), levy to levy, was needed to meet the increase in appropriations.

B. Future Budgets

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

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2018-2019 is 3.04%. The District's 2018-2019 property tax levy increase of 3.04% was equal to the tax cap and did not require an override vote. The budget was approved by 69% of the voters.

D. Property Tax Relief Credit

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

8. CONTACTING THE DISTRICT

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

Ms. Janet Bryan
Assistant Superintendent for District Operations
Longwood Central School District
35 Yaphank-Middle Island Road
Middle Island, New York 11953

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2018

ASSETS

Cash	
Unrestricted	\$ 28,292,207
Restricted	27,606,575
Receivables	
Accounts receivable	9,552
Due from fiduciary funds	7,594
Due from state and federal	7,952,242
Due from other governments	321,869
Inventory	169,374
Capital assets:	
Not being depreciated	15,929,786
Being depreciated, net of accumulated depreciation	171,620,004
Net pension asset - proportionate share	4,450,205
	<hr/>
Total Assets	256,359,408

DEFERRED OUTFLOWS OF RESOURCES

Pensions	66,573,506
	<hr/>

LIABILITIES

Payables	
Accounts payable	2,642,264
Accrued liabilities	3,253,319
Due to other governments	934,737
Due to teachers' retirement system	9,817,477
Due to employees' retirement system	1,011,045
Compensated absences payable	812,438
Unearned credits - collections in advance	186,346
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	11,334,998
Installment purchase debt payable	51,632
Compensated absences payable	650,000
Due and payable after one year	
Bonds payable, net	43,001,176
Compensated absences payable	19,703,701
Due to employees' retirement system	2,713,233
Net pension liability - proportionate share	2,264,648
Total other postemployment benefits obligation	378,439,126
	<hr/>
Total Liabilities	476,816,140

DEFERRED INFLOWS OF RESOURCES

Pensions	20,122,752
Other postemployment benefits obligation	17,470,051
	<hr/>
Total Deferred Inflows of Resources	37,592,803

NET POSITION (DEFICIT)

Net investment in capital assets	134,228,158
	<hr/>
Restricted:	
Workers' compensation	1,679,949
Unemployment insurance	157,774
Retirement contribution	3,982,049
Liability	223,681
Employee benefit accrued liability	10,714,003
Capital	10,772,698
Debt service	76,421
	<hr/>
	27,606,575
	<hr/>
Unrestricted (deficit)	(353,310,762)
	<hr/>
Total Net Position (Deficit)	\$ (191,476,029)

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT

Statement of Activities

For The Year Ended June 30, 2018

		Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
	Expenses	Services	Grants	Grants	Changes in
					Net Position
FUNCTIONS/PROGRAMS					
General support	\$ 26,148,198	\$	\$	\$	\$ (26,148,198)
Instruction	204,194,168	821,252	7,833,461	1,189,031	(194,350,424)
Pupil transportation	14,183,532				(14,183,532)
Community services	189,001				(189,001)
Debt service - interest	1,617,412				(1,617,412)
Food service program	4,271,824	1,197,443	3,254,773		180,392
Total Functions and Programs	<u>\$ 250,604,135</u>	<u>\$ 2,018,695</u>	<u>\$ 11,088,234</u>	<u>\$ 1,189,031</u>	<u>(236,308,175)</u>
GENERAL REVENUES					
Real property taxes					117,704,768
Other tax items					21,479,594
Use of money and property					548,471
Forfeiture					900
Sale of property and compensation for loss					24,670
Miscellaneous					1,983,392
State sources					93,042,554
Medicaid reimbursement					485,656
Total General Revenues					<u>235,270,005</u>
Change in Net Position (Deficit)					(1,038,170)
Total Net Position (Deficit) - Beginning of Year, as Restated					<u>(190,437,859)</u>
Total Net Position (Deficit) - End of Year					<u>\$ (191,476,029)</u>

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 26,271,849	\$ 706	\$ 1,991,610	\$	\$ 28,042	\$ 28,292,207
Restricted	19,784,945			76,172	7,745,458	27,606,575
Receivables						
Accounts receivable	9,552					9,552
Due from other funds	1,831,890		2,357	249	366	1,834,862
Due from state and federal	4,327,328	2,248,733	155,650		1,220,531	7,952,242
Due from other governments	321,869					321,869
Inventory			169,374			169,374
Total Assets	<u>\$ 52,547,433</u>	<u>\$ 2,249,439</u>	<u>\$ 2,318,991</u>	<u>\$ 76,421</u>	<u>\$ 8,994,397</u>	<u>\$ 66,186,681</u>
LIABILITIES						
Payables						
Accounts payable	\$ 1,062,283	\$ 304,320	\$ 104,240	\$	\$ 1,171,421	\$ 2,642,264
Accrued liabilities	2,795,462	29,520	58,896			2,883,878
Due to other funds	2,723	1,824,296			249	1,827,268
Due to other governments	934,144		593			934,737
Due to teachers' retirement system	9,817,477					9,817,477
Due to employees' retirement system	1,011,045					1,011,045
Compensated absences payable	812,438					812,438
Unearned credits						
Collections in advance	47,532	91,303	47,511			186,346
Total Liabilities	<u>16,483,104</u>	<u>2,249,439</u>	<u>211,240</u>	<u>-</u>	<u>1,171,670</u>	<u>20,115,453</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue					1,220,531	1,220,531
FUND BALANCES						
Nonspendable: Inventory			169,374			169,374
Restricted:						
Workers' compensation	1,679,949					1,679,949
Unemployment insurance	157,774					157,774
Retirement contribution	3,982,049					3,982,049
Liability	223,681					223,681
Employee benefit accrued liability	10,714,003					10,714,003
Capital	3,027,240				7,745,458	10,772,698
Debt service				76,421		76,421
Assigned:						
Appropriated fund balance	6,000,000					6,000,000
Unappropriated fund balance	279,633		1,938,377			2,218,010
Unassigned: Fund balance (deficit)	10,000,000				(1,143,262)	8,856,738
Total Fund Balances	<u>36,064,329</u>	<u>-</u>	<u>2,107,751</u>	<u>76,421</u>	<u>6,602,196</u>	<u>44,850,697</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 52,547,433</u>	<u>\$ 2,249,439</u>	<u>\$ 2,318,991</u>	<u>\$ 76,421</u>	<u>\$ 8,994,397</u>	<u>\$ 66,186,681</u>

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total Governmental Fund Balances \$ 44,850,697

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

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

Original cost of capital assets	\$ 290,890,617	
Accumulated depreciation	<u>(103,340,827)</u>	187,549,790

Proportionate share of long-term asset, liability and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.

Net pension asset - teachers' retirement system	4,450,205	
Deferred outflows of resources	66,573,506	
Net pension liability - employees' retirement system	(2,264,648)	
Deferred inflows of resources	<u>(20,122,752)</u>	48,636,311

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

Total other postemployment benefits obligation	(378,439,126)	
Deferred inflows of resources	<u>(17,470,051)</u>	(395,909,177)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.

1,220,531

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

Accrued interest on bonds payable	(369,441)	
Bonds payable	(54,336,174)	
Installment purchase debt payable	(51,632)	
Compensated absences payable	(20,353,701)	
Due to employees' retirement system	<u>(2,713,233)</u>	(77,824,181)

Total Net Position (Deficit)		<u><u>\$ (191,476,029)</u></u>
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Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 117,704,768	\$	\$	\$	\$	\$ 117,704,768
Other tax items	21,479,594					21,479,594
Charges for services	821,252					821,252
Use of money and property	541,503		3,538	3,430		548,471
Forfeiture	900					900
Sale of property and compensation for loss	24,670					24,670
Miscellaneous	1,983,392	2,038	287			1,985,717
Interfund revenue	40,550					40,550
State sources	93,042,554	3,510,687	102,004			96,655,245
Medicaid reimbursement	485,656					485,656
Federal sources		4,320,736	3,152,769			7,473,505
Sales			1,197,156			1,197,156
Total Revenues	236,124,839	7,833,461	4,455,754	3,430	-	248,417,484
EXPENDITURES						
General support	19,642,781					19,642,781
Instruction	129,883,769	7,035,568				136,919,337
Pupil transportation	13,648,158	306,865				13,955,023
Employee benefits	53,280,321	941,028				54,221,349
Debt service						
Principal	12,524,348					12,524,348
Interest	2,408,936					2,408,936
Food service program			4,237,660			4,237,660
Capital outlay					3,022,351	3,022,351
Total Expenditures	231,388,313	8,283,461	4,237,660	-	3,022,351	246,931,785
Excess (Deficiency) of Revenues Over Expenditures	4,736,526	(450,000)	218,094	3,430	(3,022,351)	1,485,699
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in	200,000	450,000	57,357		8,474,607	9,181,964
Operating transfers (out)	(8,981,964)			(200,000)		(9,181,964)
Total Other Sources and (Uses)	(8,781,964)	450,000	57,357	(200,000)	8,474,607	-
Net Change in Fund Balances	(4,045,438)	-	275,451	(196,570)	5,452,256	1,485,699
Fund Balances -						
Beginning of Year	40,109,767		1,832,300	272,991	1,149,940	43,364,998
End of Year	\$ 36,064,329	\$ -	\$ 2,107,751	\$ 76,421	\$ 6,602,196	\$ 44,850,697

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For The Year Ended June 30, 2018

Net Change in Fund Balances	\$ 1,485,699
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Amounts reported for governmental activities in the Statement of Activities are different because:

Long-Term Revenue and Expense Differences

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

\$ 1,189,031

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

Decrease in due to employees' retirement system

447,899

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

Increase in compensated absences

(248,119)

1,388,811

Capital Related Differences

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

Capital additions

3,572,867

Depreciation expense

(6,356,538)

(2,783,671)

Long-Term Debt Transactions Differences

Amortization of premiums on advance refunding of bonds does not affect the governmental funds, but is recorded in the Statement of Activities.

713,774

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

Repayment of bond principal

12,435,000

Repayment of installment purchase debt

89,348

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

77,750

13,315,872

Pension and Other Postemployment Benefits Differences

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

Teachers' retirement system

(1,814,018)

Employees' retirement system

188,431

Other postemployment benefits

(12,819,294)

(14,444,881)

Change in Net Position (Deficit) of Governmental Activities

\$ (1,038,170)

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2018

	<u>Agency</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash		
Unrestricted	\$ 401,133	\$
Restricted		<u>8,091</u>
Total Assets	<u>\$ 401,133</u>	<u>8,091</u>
 LIABILITIES		
Extraclassroom activity balances	\$ 191,699	
Due to governmental funds	7,594	
Other liabilities	<u>201,840</u>	
Total Liabilities	<u>\$ 401,133</u>	<u>-</u>
 NET POSITION		
Restricted for scholarships		<u>\$ 8,091</u>

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

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 4,600
Investment earnings - interest	<u>15</u>
Total Additions	4,615
DEDUCTIONS	<u>3,300</u>
Change in Net Position	1,315
Net Position - Beginning of Year	<u>6,776</u>
Net Position - End of Year	<u><u>\$ 8,091</u></u>

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Extraclassroom Activity Funds

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

B. Joint Venture

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

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board no later than November 1st and become a lien on December 1st. Taxes are collected by the town of Brookhaven and remitted to the District from December to June.

Enforcement

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

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

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

H. Use of Estimates

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

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

I. Cash and Cash Equivalents

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

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

J. Receivables

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

K. Inventory

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

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

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

L. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 1,000	50 years
Land improvements	1,000	20 years
Furniture and equipment	1,000	5-20 years

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

M. Deferred Outflows of Resources

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

N. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts and summer program fees. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

O. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of state aid (Smart Schools Bond Act). In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension assets or liability not included in the collective pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

P. Employee Benefits – Compensated Absences

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

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

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

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

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

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Q. Other Benefits

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

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

The District provides health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

R. Short-Term Debt

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

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

S. Equity Classifications

District-Wide Statements

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

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

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

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

Fund Statements

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

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

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

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

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Liability Reserve

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

Employee Benefit Accrued Liability Reserve

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

Capital Reserve

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

Restricted for Debt Service

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

Restricted for Scholarships

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

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

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

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Balance Classification

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

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

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

2. CHANGES IN ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

determined at the time the budget was adopted. The following supplemental appropriations occurred during the year.

Transfer to capital projects fund appropriated from:	
Capital reserve per voter approval	<u>\$ 8,024,607</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2018, the District was billed \$16,088,642 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,114,942. Financial statements for the

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

7. DUE FROM STATE AND FEDERAL

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

General Fund	
New York State - homeless aid	\$ 36,696
New York State - excess cost aid	3,238,815
BOCES aid	951,724
Medicaid reimbursement	<u>100,093</u>
	4,327,328
Special Aid Fund	
Federal and state grants	2,248,733
School Food Service Fund	
Federal and state food service program reimbursements	155,650
Capital Projects Fund	
New York State - Smart Schools Bond Act	<u>1,220,531</u>
	<u>\$ 7,952,242</u>

8. DUE FROM OTHER GOVERNMENTS

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

General Fund	
Other districts - non-resident tuition	\$ 125,738
Other districts - homeless	<u>196,131</u>
	<u>\$ 321,869</u>

9. CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,012,335	\$	\$	\$ 2,012,335
Construction in progress	<u>14,514,053</u>	<u>2,275,897</u>	<u>(2,872,499)</u>	<u>13,917,451</u>
Total capital assets not being depreciated	<u>16,526,388</u>	<u>2,275,897</u>	<u>(2,872,499)</u>	<u>15,929,786</u>

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LONGWOOD CENTRAL SCHOOL DISTRICT

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	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets being depreciated				
Buildings & improvements	\$ 257,252,010	\$ 3,275,763	\$	\$ 260,527,773
Furniture & equipment	12,401,616	882,531	(61,780)	13,222,367
Land improvements	1,199,516	11,175		1,210,691
Total capital assets being depreciated	270,853,142	4,169,469	(61,780)	274,960,831
Less accumulated depreciation for:				
Buildings & improvements	88,580,422	5,043,364		93,623,786
Furniture & equipment	8,126,779	1,258,615	(61,780)	9,323,614
Land improvements	338,868	54,559		393,427
Total accumulated depreciation	97,046,069	6,356,538	(61,780)	103,340,827
Total capital assets, being depreciated, net	173,807,073	(2,187,069)	-	171,620,004
Capital assets, net	\$ 190,333,461	\$ 88,828	\$ (2,872,499)	\$ 187,549,790

Depreciation expense was charged to governmental functions as follows:

General support	\$ 207,257
Instruction	6,058,763
Pupil transportation	18,434
Food service program	72,084
Total depreciation expense	\$ 6,356,538

10. INTERFUND TRANSACTIONS

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

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,831,890	\$ 2,723	\$ 200,000	\$ 8,981,964
Special Aid Fund		1,824,296	450,000	
School Food Service Fund	2,357		57,357	
Debt Service Fund	249			200,000
Capital Projects Fund	366	249	8,474,607	
Total Governmental Funds	1,834,862	1,827,268	\$ 9,181,964	\$ 9,181,964
Fiduciary Funds		7,594		
Total	\$ 1,834,862	\$ 1,834,862		

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools, the school food service fund and the capital projects fund in accordance with the general fund budget. In addition to the \$450,000 budgeted transfer to the capital projects fund, the general fund transferred \$8,024,607 to the capital projects fund per a voter approved transfer from the capital reserve.

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The transfer from the debt service fund to the general fund was to provide funding for the current year's debt service payments.

11. SHORT-TERM DEBT

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

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance June 30, 2017</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2018</u>
TAN	6/22/2018	2.00%	<u>\$ -</u>	<u>\$ 35,500,000</u>	<u>\$ (35,500,000)</u>	<u>\$ -</u>

Interest on short-term debt for the year was \$562,083. The District received premiums of \$282,242 for the TANs, which offset the interest on the TANs. The effective average interest rate on the TANs was 1.00%.

12. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pensions, due to employees' retirement system and other postemployment benefits obligations, for the year are summarized below:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
<u>Long-term debt:</u>					
Bonds payable	\$ 65,705,000	\$ -	\$(12,435,000)	\$ 53,270,000	\$ 10,745,000
Add: Premium on refunding	1,779,948		(713,774)	1,066,174	589,998
	67,484,948	-	(13,148,774)	54,336,174	11,334,998
Installment purchase debt	140,980		(89,348)	51,632	51,632
	67,625,928		(13,238,122)	54,387,806	11,386,630
<u>Other long-term liabilities</u>					
Compensated absences	20,105,582	248,119		20,353,701	650,000
	<u>\$ 87,731,510</u>	<u>\$ 248,119</u>	<u>\$(13,238,122)</u>	<u>\$ 74,741,507</u>	<u>\$ 12,036,630</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2018</u>
Serial bonds	6/1/2009	6/1/2024	3.90%	\$ 5,710,000
Serial bonds	11/22/2011	3/15/2019	4.68%	3,250,000
Serial bonds - Refunding	10/31/2012	2/1/2021	5.00%	10,680,000
Serial bonds - Library	12/18/2014	6/15/2034	2.15-3.125%	14,845,000
Serial bonds - Energy Bond	6/15/2016	6/15/2030	2.00-2.125%	18,785,000
				<u>\$ 53,270,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 10,745,000	\$ 1,715,558	\$ 12,460,558
2020	7,790,000	1,250,458	9,040,458
2021	4,730,000	934,457	5,664,457
2022	3,265,000	772,945	4,037,945
2023	3,350,000	685,226	4,035,226
2024 - 2028	13,560,000	2,246,194	15,806,194
2029 - 2033	8,685,000	775,412	9,460,412
2034	1,145,000	35,781	1,180,781
Total	<u>\$ 53,270,000</u>	<u>\$ 8,416,031</u>	<u>\$ 61,686,031</u>

C. Advance Refunding

In prior years, the District advance refunded serial bonds, which resulted in refunding bond premiums. These premiums are being amortized as a component of interest expense over the life of the bonds in the district-wide statements as follows:

Year Ending June 30,	Amortization of Premium
2019	\$ 589,998
2020	476,176
Total	<u>\$ 1,066,174</u>

D. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2018
Copier equipment	Various	2019	0%	<u>\$ 51,632</u>

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

Year Ending June 30,	Principal	Interest	Total
2019	<u>\$ 51,632</u>	<u>\$ -</u>	<u>\$ 51,632</u>

E. Interest Expense

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

Interest paid	\$ 2,129,095
Less interest accrued in the prior year	(447,191)
Plus interest accrued in the current year	369,441
Less amortization of refunding premium	<u>(713,774)</u>
Total interest expense on long-term debt	<u>\$ 1,337,571</u>

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LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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F. Unissued Debt

On October 17, 2017, the voters authorized capital projects not exceed \$39,140,000. The authorization included the appropriation of \$8,024,607 from the capital reserve to fund a portion of the costs. As a result, the District was authorized to issue serial bonds not to exceed \$31,115,393 to fund the balance of the costs. As of June 30, 2018, the District has not issued debt related to the authorization.

13. LONGWOOD PUBLIC LIBRARY BOND OBLIGATION

On October 9, 2012, the voters of the District authorized the Board of Education to finance the expansion and renovation of the Longwood Public Library (the Library) in the amount of \$17,896,347. On December 18, 2014, the District issued serial bonds in the amount of \$17,595,000 in connection with this authorization. Although the bond issue is an obligation of the District, the Library Board has committed to raise funds through its budget and tax levy sufficient to transfer to the District for the ensuing debt service payments. The District received \$1,139,744 from the Library during the year ended June 30, 2018, which is included in miscellaneous revenue.

14. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance.

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LONGWOOD CENTRAL SCHOOL DISTRICT

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The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at the NYS Comptrollers website www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 11.72% of covered payroll for the TRS' fiscal year ended June 30, 2017. The District's average contribution rate was 14.88% of covered payroll for the ERS' fiscal year ended March 31, 2018.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2018, was \$9,233,714 for the TRS and \$3,614,569 for the ERS.

D. Pension Stabilization

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years. During the year ended June 30, 2012, the District opted to participate in this program. This law requires employers to make payments on a current basis, while amortizing existing unpaid amounts. In the current fiscal year \$107,534 was charged to expenditures in the governmental funds. The unpaid liability at June 30, 2018 is \$392,648, plus interest at 3.75% and is reported under long-term liabilities in the district-wide financial statements.

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years. During the year ended June 30, 2013, the District opted to participate in this program. This law requires employers to make payments on a current basis, while amortizing existing unpaid amounts. In the current fiscal year \$184,866 was charged to expenditures in the governmental funds. The unpaid liability at June 30, 2018 is \$846,633, plus interest at 3.00% and is reported under long-term liabilities in the district-wide financial statements.

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years. During the year ended June 30, 2014, the District opted to participate in this program. This law requires employers to make payments on a current basis, while amortizing existing unpaid amounts. In the current fiscal year \$164,035 was charged to expenditures in the governmental funds. The unpaid liability at June 30, 2018 is \$869,209, plus interest at 3.67% and is reported under long-term liabilities in the district-wide financial statements.

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LONGWOOD CENTRAL SCHOOL DISTRICT

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Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years. During the year ended June 30, 2015, the District opted to participate in this program. This law requires employers to make payments on a current basis, while amortizing existing unpaid amounts. In the current fiscal year \$97,615 was charged to expenditures in the governmental funds. The unpaid liability at June 30, 2018 is \$604,743, plus interest at 3.15% and is reported under long-term liabilities in the district-wide financial statements.

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

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

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
District's proportionate share of the net pension asset/(liability)	\$ 4,450,205	\$ (2,264,648)
District's portion of the Plan's total net pension asset/(liability)	0.5854770%	0.0701685%
Change in proportion since the prior measurement date	0.0001790	0.0078158

For the year ended June 30, 2018, the District recognized pension expense of \$11,047,733 for TRS and \$3,426,138 for ERS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 3,661,426	\$ 807,727	\$ 1,735,084	\$ 667,475
Changes of assumptions	45,281,706	1,501,649		
Net difference between projected and actual earnings on pension plan investments		3,289,222	10,481,521	6,492,595
Changes in proportion and differences between the District's contributions and proportionate share of contributions	61,197	1,695,535	668,668	77,409
District's contributions subsequent to the measurement date	9,263,999	1,011,045		
Total	\$ 58,268,328	\$ 8,305,178	\$ 12,885,273	\$ 7,237,479

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

Year Ending June 30,	TRS	ERS
2019	\$ 936,888	\$ 1,069,798
2020	11,887,211	855,108
2021	8,480,247	(1,332,433)
2022	2,035,349	(535,819)
2023	8,455,304	
Thereafter	4,324,057	
	<u>\$ 36,119,056</u>	<u>\$ 56,654</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:

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

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

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

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

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

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

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

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

Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1

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LONGWOOD CENTRAL SCHOOL DISTRICT

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percentage point lower (6.25% for TRS and 6.0% for ERS) or 1 percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
TRS			
District's proportionate share of the net pension asset (liability)	<u>\$ (76,663,858)</u>	<u>\$ 4,450,205</u>	<u>\$ 72,379,207</u>
	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
ERS			
District's proportionate share of the net pension asset (liability)	<u>\$ (17,134,939)</u>	<u>\$ (2,264,648)</u>	<u>\$ 10,315,023</u>

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2017	March 31, 2018
Employers' total pension liability	\$ (114,708,261)	\$ (183,400,590)
Plan fiduciary net position	<u>115,468,360</u>	<u>180,173,145</u>
Employers' net pension asset/(liability)	<u>\$ 760,099</u>	<u>\$ (3,227,445)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	100.66%	98.24%

Payables to the Pension Plan

For the TRS, employer and employee contributions for the fiscal year ended June 30, 2018, are paid to the system in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018, represent employer and employee contributions for the fiscal year ended June 30, 2018, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2018 amounted to \$9,263,999 of employer contributions and \$553,478 of employee contributions.

For the ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2018, represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$1,011,045 of employer contributions. Employee contributions are remitted monthly.

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15. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by employees for the year ended June 30, 2018, totaled \$4,200,065. No contributions were made by the employer for the year ended June 30, 2018.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code 457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2018 totaled \$455,059.

16. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

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

Benefits Provided – The District provides medical, medigap, Medicare part B reimbursement and dental and vision coverage. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	816
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>1,118</u>
	<u>1,934</u>

B. Total OPEB Liability

The District's total OPEB liability of \$378,439,126 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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Inflation	2.20%
Salary increases	3.20% average, including inflation
Discount rate	3.87%
Healthcare cost trend rates	5.50% for 2018, decreasing to an ultimate rate of 3.84% by 2078
Retirees' share of benefit-related costs	40-60% of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index.

Mortality rates were based on April 1, 2010 - March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$ 383,089,883</u>
Changes for the year	
Service cost	11,480,882
Interest	13,714,618
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(19,887,707)
Benefit payments	<u>(9,958,550)</u>
	<u>(4,650,757)</u>
Balance at June 30, 2018	<u><u>\$ 378,439,126</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

OPEB	1% Decrease (2.87)%	Discount Rate (3.87)%	1% Increase (4.87)%
Total OPEB liability	<u>\$ (442,154,159)</u>	<u>\$ (378,439,126)</u>	<u>\$ (308,318,381)</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 (4.50%) or 1 percentage point higher (6.50%) than the current healthcare cost trend rate:

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LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

OPEB	1% Decrease (4.50)%	Healthcare Cost Trend Rates (5.50)%	1% Increase (6.50)%
Total OPEB liability	<u>\$ (304,169,065)</u>	<u>\$ (378,439,126)</u>	<u>\$ (449,209,133)</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$22,777,844. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		17,470,051
District's contributions subsequent to the measurement date	<u> </u>	<u> </u>
Total	<u>\$ -</u>	<u>\$ 17,470,051</u>

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

Year Ending June 30,	Amount
2019	\$ (2,417,656)
2020	(2,417,656)
2021	(2,417,656)
2022	(2,417,656)
2023	(2,417,656)
Thereafter	<u>(5,381,771)</u>
	<u><u>\$(17,470,051)</u></u>

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

17. RISK MANAGEMENT

A. General Information

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

B. Public Entity Risk Pool

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

The District participates in the New York State Public Schools Statewide Workers' Compensation Trust Plan (the Workers' Compensation Plan), a risk sharing pool, to insure workers' compensation claims. This is a public school entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. The Workers' Compensation Plan's total liability for unbilled and opened claims at June 30, 2018, discounted at 3.0% was \$24,751,791. The Workers' Compensation case reserves were \$11,469,600 at June 30, 2018 for these liabilities. If the District leaves the plan or if the plan is terminated, the District will be liable for the District's open claims at that time. At June 30, 2018, the District's open claims, discounted at 3.0% were \$4,600,368.

18. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

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

Workers' compensation	\$ 200,000
Unemployment insurance	50,000
Retirement contribution	700,000
Employee benefit accrued liability	<u>650,000</u>
	<u>\$ 1,600,000</u>

19. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$6,000,000 has been appropriated to reduce taxes for the year ending June 30, 2019.

20. RESTATEMENT OF NET POSITION

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

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Net position beginning of year, as previously stated	<u>\$ 63,854,446</u>
GASB Statement No. 75 implementation	
Beginning total other postemployment benefits obligation	(383,089,883)
Less: Net other postemployment benefits obligation	
under GASB Statement No. 45	<u>128,797,578</u>
	<u>(254,292,305)</u>
Net position (deficit) beginning of year, as restated	<u><u>\$ (190,437,859)</u></u>

21. TAX ABATEMENTS

The Town of Brookhaven Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced by these abatements. The District received payment in lieu of taxes (PILOT) payments totaling \$1,315,591.

22. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

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

Restricted Fund Balance:	
Capital Projects Fund	
Capital projects	<u>\$ 9,598,451</u>
Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	133,978
Instruction	<u>145,655</u>
	279,633
Special Aid Fund	
Instruction	170,706
Capital Projects Fund	
Capital projects	<u>831,121</u>
	<u><u>\$ 10,879,911</u></u>

B. Grants

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

Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Litigation

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

23. SUBSEQUENT EVENTS

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

A. Issuance of TANs

On August 30, 2018, the District issued tax anticipation notes in the amount of \$40,000,000, which are due June 21, 2019 and bear interest at an effective rate of 1.83%.

B. Issuance of Serial Bonds

On August 30, 2018 the District issued \$20,050,000 in bonds which are payable semi-annually through June 15, 2033 and bear interest at an average rate of 3.91%.

Financial Statements

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

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 117,114,766	\$ 117,704,768	\$ 117,704,768	\$ -
Other tax items	21,454,500	20,864,498	21,479,594	615,096
Charges for services	823,000	823,000	821,252	(1,748)
Use of money and property	145,500	145,500	541,503	396,003
Forfeiture	1,000	1,000	900	(100)
Sale of property and compensation for loss	7,500	7,500	24,670	17,170
Miscellaneous	1,720,000	1,720,000	1,983,392	263,392
Interfund revenues	50,000	50,000	40,550	(9,450)
Total Local Sources	141,316,266	141,316,266	142,596,629	1,280,363
State Sources	93,583,734	93,583,734	93,042,554	(541,180)
Medicaid Reimbursement	100,000	100,000	485,656	385,656
Total Revenues	235,000,000	235,000,000	236,124,839	1,124,839
OTHER SOURCES				
Operating Transfers In	200,000	200,000	200,000	-
Total Revenues and Other Sources	235,200,000	235,200,000	236,324,839	\$ 1,124,839
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	6,000,000	6,000,000		
Prior Year's Encumbrances	198,373	198,373		
Appropriated Reserves	1,600,000	9,624,607		
Total Appropriated Fund Balance	7,798,373	15,822,980		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 242,998,373	\$ 251,022,980		

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.

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

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 183,164	\$ 184,280	\$ 132,001	\$	\$ 52,279
Central administration	423,698	423,698	419,791		3,907
Finance	1,227,850	1,234,184	1,168,601	6,250	59,333
Staff	1,204,678	1,214,753	1,057,071		157,682
Central services	16,170,685	16,012,047	14,696,069	127,728	1,188,250
Special items	2,348,095	2,348,095	2,169,248		178,847
Total General Support	21,558,170	21,417,057	19,642,781	133,978	1,640,298
Instruction					
Administration & improvement	9,676,193	9,710,536	9,642,691		67,845
Teaching - regular school	64,036,917	63,814,023	61,344,718	114,590	2,354,715
Programs for students with disabilities	45,810,579	46,386,389	42,787,649	3,377	3,595,363
Occupational education	4,545,099	4,549,075	4,507,821	2,065	39,189
Teaching - special schools	116,000	117,628	76,679		40,949
Instructional media	3,239,513	3,230,037	2,889,766	12,990	327,281
Pupil services	8,841,309	8,985,170	8,634,445	12,633	338,092
Total Instruction	136,265,610	136,792,858	129,883,769	145,655	6,763,434
Pupil Transportation	14,407,463	14,445,328	13,648,158		797,170
Employee Benefits	54,273,686	54,269,845	53,280,321		989,524
Debt Service					
Principal	12,679,348	12,679,348	12,524,348		155,000
Interest	2,829,096	2,408,937	2,408,936		1
Total Debt Service	15,508,444	15,088,285	14,933,284	-	155,001
Total Expenditures	242,013,373	242,013,373	231,388,313	279,633	10,345,427
OTHER USES					
Operating Transfers Out	985,000	9,009,607	8,981,964		27,643
Total Expenditures and Other Uses	\$ 242,998,373	\$ 251,022,980	240,370,277	\$ 279,633	\$ 10,373,070
Net Change in Fund Balance			(4,045,438)		
Fund Balance - Beginning of Year			40,109,767		
Fund Balance - End of Year			\$ 36,064,329		

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.

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)

Last Four Fiscal Years

Teachers' Retirement System

	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.5854770%	0.5852980%	0.5725620%	0.5872030%
District's proportionate share of the net pension asset/(liability)	\$ 4,450,205	\$ 6,268,784	\$ 59,470,918	\$ 63,635,447
District's covered payroll	\$ 93,861,293	\$ 90,317,337	\$ 86,582,656	\$ 86,628,482
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	4.74 %	6.94 %	68.69 %	73.46 %
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%

Employees' Retirement System

	2018	2017	2016	2015
District's proportion of the net pension liability	0.0701685%	0.0623527%	0.0655229%	0.0629174%
District's proportionate share of the net pension liability	\$ (2,264,648)	\$ (5,858,796)	\$ (10,516,602)	\$ (2,125,503)
District's covered payroll	\$ 21,845,450	\$ 14,889,277	\$ 19,744,594	\$ 20,067,152
District's proportionate share of the net pension liability as a percentage of its covered payroll	10.37 %	39.35 %	53.26 %	10.59 %
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%	97.95%

Note to Required Supplementary Information

Teachers' Retirement System

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

Employees' Retirement System

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

Financial Statements

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

Teachers' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 9,233,714	\$ 10,857,017	\$ 12,123,473	\$ 14,928,420	\$ 10,692,401	\$ 9,753,970	\$ 8,108,578	\$ 5,949,616	\$ 6,898,215	\$ 5,766,585
Contributions in relation to the contractually required contribution	9,233,714	10,857,017	12,123,473	14,928,420	10,692,401	9,753,970	8,108,578	5,949,616	6,898,215	5,766,585
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$94,907,485	\$93,861,293	\$90,317,337	\$86,582,656	\$86,628,482	\$87,337,725	\$85,424,259	\$86,182,701	\$83,130,084	\$79,204,531
Contributions as a percentage of covered payroll	10%	12%	13%	17%	12%	11%	9%	7%	8%	7%

Employees' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 3,614,569	\$ 2,934,052	\$ 4,036,480	\$ 2,906,606	\$ 3,310,623	\$ 2,847,877	\$ 2,363,090	\$ 2,756,210	\$ 1,535,975	\$ 1,511,958
Contributions in relation to the contractually required contribution	3,614,569	2,934,052	4,036,480	2,906,606	3,310,623	2,847,877	2,363,090	2,756,210	1,535,975	1,511,958
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$22,023,662	\$18,979,475	\$19,943,420	\$20,038,922	\$19,988,857	\$20,665,772	\$20,311,520	\$21,218,135	\$20,583,096	\$19,322,903
Contributions as a percentage of covered payroll	16%	15%	20%	15%	17%	14%	12%	13%	7%	8%

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Last Fiscal Year

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 11,480,882
Interest	13,714,618
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(19,887,707)
Benefit payments	<u>(9,958,550)</u>
Net change in total OPEB liability	(4,650,757)
Total OPEB liability, beginning	<u>383,089,883</u>
Total OPEB liability, ending	<u><u>\$ 378,439,126</u></u>
 Covered employee payroll	 \$ 103,370,946
Total OPEB liability as a percentage of covered employee payroll	366.10%

Financial Statements

LONGWOOD CENTRAL SCHOOL DISTRICT Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund For The Year Ended June 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 242,800,000
Additions:	
Prior year's encumbrances	<u>198,373</u>
Original Budget	242,998,373
Budget revision	<u>8,024,607</u>
Final Budget	<u>\$ 251,022,980</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	<u>\$ 250,000,000</u>
Maximum allowed (4% of 2018-19 budget)	<u>\$ 10,000,000</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 6,279,633
Unassigned fund balance	<u>10,000,000</u>
	\$ 16,279,633
Less:	
Appropriated fund balance	6,000,000
Encumbrances	<u>279,633</u>
Total adjustments	<u>6,279,633</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u>\$ 10,000,000</u>
Actual Percentage	4.00%

Financial Statements

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

PROJECT TITLE	Budget June 30, 2017	Budget June 30, 2018	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2018
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Vent replacement - WMI	\$ 94,492	\$ 94,492	\$ 94,492	\$	\$ 94,492	\$	\$	\$	\$ 94,492	\$ 94,492	\$ -
Vent replacement - Coram	153,218	153,218	153,218		153,218				153,218	153,218	-
Vent replacement - HS	202,290	202,290	202,290		202,290				202,290	202,290	-
Districtwide security upgrade	450,000	450,000	437,460		437,460	12,540			450,000	450,000	12,540
JHS/HS Auditorium sound system	300,000	300,000	219,300		219,300	80,700			300,000	300,000	80,700
MS Masonry	450,000	450,000	389,493		389,493	60,507			450,000	450,000	60,507
Fire Alarms - CEW	225,000	225,000				225,000			225,000	225,000	225,000
Fire Alarms - Ridge	225,000	225,000				225,000			225,000	225,000	225,000
Main Street Building	300,000	300,000	7,980	72,430	80,410	219,590			300,000	300,000	219,590
Communication - JHS		156,429		7,581	7,581	148,848			156,429	156,429	148,848
Communication - MS		75,362		4,634	4,634	70,728			75,362	75,362	70,728
Communication - CW Prim.		31,817		1,624	1,624	30,193			31,817	31,817	30,193
Communication - CW Inter.		47,099		2,087	2,087	45,012			47,099	47,099	45,012
Communication - Coram Prim.		26,111		1,359	1,359	24,752			26,111	26,111	24,752
Communication - Coram Inter.		22,695		1,359	1,359	21,336			22,695	22,695	21,336
Communication - Ridge Prim.		21,869		1,301	1,301	20,568			21,869	21,869	20,568
Communication - Ridge Inter.		23,985		1,359	1,359	22,626			23,985	23,985	22,626
Communication - WM Prim.		21,000		1,544	1,544	19,456			21,000	21,000	19,456
Communication - WM Inter.		23,633		1,447	1,447	22,186			23,633	23,633	22,186
	<u>2,400,000</u>	<u>2,850,000</u>	<u>1,504,233</u>	<u>96,725</u>	<u>1,600,958</u>	<u>1,249,042</u>	<u>-</u>	<u>-</u>	<u>2,850,000</u>	<u>2,850,000</u>	<u>1,249,042</u>
CEW intermediate phase 2 E-2	149,687	149,687	132,939		132,939	16,748	149,687			149,687	16,748
CEW intermediate phase 3 E-3	128,708	128,708	128,708		128,708		128,708			128,708	-
WMI primary phase 2 K-2	122,195	122,195	113,853		113,853	8,342	122,195			122,195	8,342
Coram inter phase 2 G-2	125,463	125,463	119,077		119,077	6,386	125,463			125,463	6,386
Ridge inter phase 2 J-2	142,137	142,137	123,439		123,439	18,698	142,137			142,137	18,698
JHS phase 2 8-2	333,684	333,684	328,572		328,572	5,112	333,684			333,684	5,112
JHS phase 3 B-3	294,665	294,665	294,665		294,665		294,665			294,665	-
MHS phase 2 C-2	6,311,117	6,311,117	6,289,710	18,347	6,308,057	3,060	6,311,117			6,311,117	3,060
MHS phase 1 C-1	2,172,893	2,172,893	2,172,893		2,172,893		32,893		2,140,000	2,172,893	-
MHS phase 2 J-2	1,314,604	1,314,604	1,314,604		1,314,604		1,314,604			1,314,604	-
Ridge primary phase 2 H-2	121,736	121,736	114,823		114,823	6,913	121,736			121,736	6,913
Ridge primary phase 1 H-1	507,008	507,008	507,008		507,008		165,678		341,330	507,008	-
Coram primary phase 2 F-2	125,830	125,830	120,629		120,629	5,201	125,830			125,830	5,201
Coram primary phase 1 F-1	733,564	733,564	733,564		733,564		166,464		567,100	733,564	-
CEW primary phase 2 F-2	121,749	121,749	120,027		120,027	1,722	121,749			121,749	1,722
CEW primary phase 1 F-1	699,409	699,409	699,409		699,409		196,509		502,900	699,409	-
HS phase 1A	2,249,941	2,249,941	2,249,941		2,249,941		2,249,941			2,249,941	-
HS phase 1 A-2	5,920,037	5,920,037	5,804,831	70,933	5,875,764	44,273	5,920,037			5,920,037	44,273
WMI inter phase 2 L-2	206,170	206,170	131,798		131,798	74,372	206,170			206,170	74,372
WMI inter L1	688,059	688,059	688,059		688,059		198,920		489,139	688,059	-
Co-Gen	1,239,002	1,239,002	1,233,436		1,233,436	5,566	1,239,002			1,239,002	5,566
District-wide technology	3,572,809	3,572,809	3,572,809		3,572,809		3,572,809			3,572,809	-
	<u>27,280,467</u>	<u>27,280,467</u>	<u>26,994,794</u>	<u>89,280</u>	<u>27,084,074</u>	<u>196,393</u>	<u>23,239,998</u>	<u>-</u>	<u>4,040,469</u>	<u>27,280,467</u>	<u>196,393</u>

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

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Financial Statements
LONGWOOD CENTRAL SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2018

Capital assets, net	<u>\$ 187,549,790</u>
Deduct:	
Short-term portion of bonds payable	10,745,000
Long-term portion of bonds payable	42,525,000
Short-term portion of installment purchase debt	<u>51,632</u>
	<u>53,321,632</u>
Net Investment in Capital Assets	<u><u>\$ 134,228,158</u></u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Longwood Central School District
Middle Island, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Longwood Central School District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 18, 2018.

Internal Control Over Financial Reporting

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

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

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

Financial Statements

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

October 18, 2018