



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

**June 30, 2016**

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

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the North Shore Central School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the North Shore Central School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District contributions on pages 3 through 14 and 51 through 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Shore Central School District's basic financial statements. The other supplementary information on pages 56 through 58 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 28, 2016 on our consideration of the North Shore Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Shore Central School District's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

October 28, 2016

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

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The North Shore Central School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016 in comparison with the year ended June 30, 2015, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

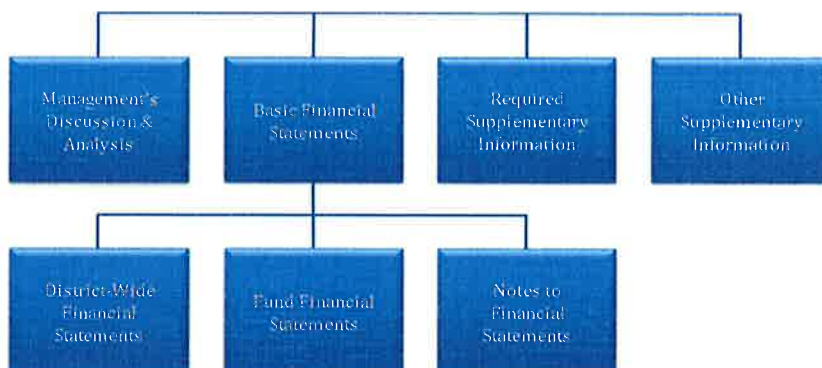
## **1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2016 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$5,921,816. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$92,306,981. Of this amount, \$2,580,886 was offset by program charges for services, operating grants and capital grants. General revenues of \$95,647,911 amount to 97.4% of total revenues, and were adequate to cover the balance of program expenses.
- The District's property tax levy of \$89,580,765 was a 1.93% increase over the 2015 tax levy and was equal to the property tax cap. The 2015-16 tax levy was reduced by Nassau County in the amount of \$7,529,308, and billed to the Long Island Power Authority (LIPA) as PILOT (payment in lieu of taxes). As a result, the District's 2015-16 adjusted actual tax levy was 82,051,457. As of June 30, 2016, the District has recognized \$6,531,054 of the \$7,529,308 LIPA PILOT as revenue, the balance of \$998,254 will be applied by LIPA as credit against its future PILOT payment.
- The voters approved a bond referendum in the amount of \$19,621,299 during 2014-15 for the purposes of infrastructure maintenance and improvements throughout the District. On October 23, 2014, the District issued \$6,500,000 of the authorized amount. On December 29, 2015 the District issued the remaining \$13,121,299 of the bond referendum.
- In May 2016, the District issued advanced refunding serial bonds on its outstanding 2007 bonds in the amount of \$3,265,000. This will result in a net present value savings of \$243,404 for the District.

## **2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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



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

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**A. District-Wide Financial Statements**

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

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

The Statement of Net Position

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

The Statement of Activities

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

**B. Fund Financial Statements**

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

Governmental Funds

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

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

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

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

The District maintains five individual governmental funds: general fund, special aid fund, school lunch 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 accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the District's district-wide financial statements because the District cannot use these assets to finance its operations.

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Net Position**

The District's total net position increased by \$5,921,817 between fiscal year 2016 and 2015. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2016	2015	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 59,859,309	\$ 48,508,165	\$ 11,351,144	23.40 %
Capital Assets, Net	65,266,460	61,746,008	3,520,452	5.70 %
Net Pension Asset - Proportionate Share	27,990,400	29,785,620	(1,795,220)	(6.03)%
<b>Total Assets</b>	<b>153,116,169</b>	<b>140,039,793</b>	<b>13,076,376</b>	<b>9.34 %</b>
Deferred Outflows of Resources	11,714,277	8,547,457	3,166,820	37.05 %
Current and Other Liabilities	11,749,682	12,420,503	(670,821)	(5.40)%
Long-Term Liabilities	37,303,991	27,352,362	9,951,629	36.38 %
Net Other Postemployment Benefits Obligation	48,072,177	42,201,656	5,870,521	13.91 %
Net Pension Liability - Proportionate Share	5,186,259	1,031,048	4,155,211	403.01 %
<b>Total Liabilities</b>	<b>102,312,109</b>	<b>83,005,569</b>	<b>19,306,540</b>	<b>23.26 %</b>
Deferred Inflows of Resources	12,929,885	21,915,046	(8,985,161)	(41.00)%

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

	2016	2015	Increase (Decrease)	Percentage Change
Net Investment in Capital Assets	\$ 42,219,543	\$ 38,761,016	\$ 3,458,527	8.92 %
Restricted	20,752,760	18,801,842	1,950,918	10.38 %
Unrestricted (Deficit)	<u>(13,383,851)</u>	<u>(13,896,223)</u>	<u>512,372</u>	3.69 %
Total Net Position	<u>\$ 49,588,452</u>	<u>\$ 43,666,635</u>	<u>\$ 5,921,817</u>	13.56 %

Current and other assets increased by \$11,351,144, as compared to the prior year. The increase is primarily related to increases in cash and due from other governments, offset by a decrease in due from state and federal.

Capital assets, net increased by \$3,520,452, as compared to the prior year. This increase is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

Net pension asset – proportionate share decreased by \$1,795,220, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year.

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

Current and other liabilities decreased by \$670,821, as compared to the prior year. This decrease is primarily in connection with the District's liability to the teachers' retirement system for the current year's contribution at a decreased contribution rate. This was offset by increases in accounts payable and accrued liabilities.

Long-term liabilities increased by \$9,951,630, as compared to the prior year. This increase is primarily the result of the issuance of serial bonds, net of the repayment of the current maturity of the bond indebtedness.

Net other postemployment benefits (OPEB) obligation increased by \$5,870,521, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by \$4,155,211 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Deferred inflows of resources represent the amount of LIPA PILOT receivable, which will be claimed by LIPA as a credit in the following year, PILOT revenue received in June 2016 for the 2016-17 year, and actuarial adjustments at the pension plan level that will be amortized in future years.



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

The net investment in capital assets is the investment in capital assets at cost such as land; construction in progress; buildings and improvements; land improvements; furniture and equipment and vehicles, net of depreciation and related outstanding debt. This number increased over the prior year primarily due to capital asset additions in excess of depreciation.

The restricted amount of \$20,752,760 increased over the prior year by \$1,950,918 principally due to Board-authorized funding and interest revenues added to the District's reserves and other restricted amounts in excess of the use of reserves and other restricted amounts.

The unrestricted deficit amount of \$(13,383,851) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit decreased from the prior year by \$512,372.

The District's total net position increased by \$5,921,817 or 13.56%; \$49,588,451 at June 30, 2016, compared to \$43,666,635 at June 30, 2015.

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2016 and 2015 is as follows:

	2016	As Reclassified 2015	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 1,428,868	\$ 1,534,220	\$ (105,352)	(6.87)%
Operating Grants	1,152,003	1,233,051	(81,048)	(6.57)%
Capital Grants	15	46,336	(46,321)	(99.97)%
General Revenues				
Property Taxes and STAR	82,202,227	88,149,768	(5,947,541)	(6.75)%
State Sources	4,719,598	6,991,804	(2,272,206)	(32.50)%
Other	8,726,086	2,544,327	6,181,759	242.96 %
Total Revenues	<u>98,228,797</u>	<u>100,499,506</u>	<u>(2,270,709)</u>	(2.26)%
<b>Expenses</b>				
General Support	11,006,672	10,459,729	546,943	5.23 %
Instruction	75,872,607	73,640,054	2,232,553	3.03 %
Pupil Transportation	3,308,822	3,274,276	34,546	1.06 %
Community Service	34,350	28,596	5,754	20.12 %
Debt Service - Interest	810,931	764,071	46,860	6.13 %
Food Service Program	1,273,598	1,291,062	(17,464)	(1.35)%
Total Expenses	<u>92,306,980</u>	<u>89,457,788</u>	<u>2,849,192</u>	3.18 %
Increase in Net Position	<u>\$ 5,921,817</u>	<u>\$ 11,041,718</u>	<u>\$ (5,119,901)</u>	(46.37)%

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

The District's net position increased by \$5,921,816 and \$11,041,718 for the years ended June 30, 2016 and 2015, respectively. Certain 2015 amounts have been reclassified to conform to the 2016 presentation. The reclassifications had no effect on the increase in net position for 2015.

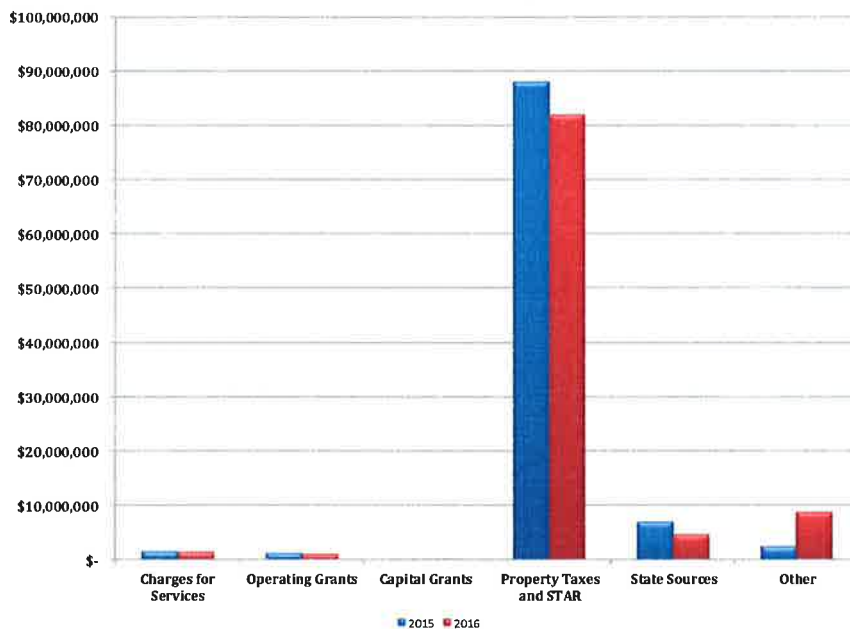
The District's revenues decreased by \$2,270,709 or 2.26%. The major factor that contributed to the decrease was a decrease in supplemental state aid allocated to the District for the Glenwood Landing properties being removed from the tax rolls.

Property taxes and STAR revenues decreased by \$5,947,541 while other revenue sources increased by \$6,181,759. Nassau County reduced the 2015-16 property tax levy associated with the Long Island Power Authority (LIPA) properties and billed these properties as payment in lieu of taxes (PILOT). As a result, the District was required to adjust the initial tax levy and recognize the PILOT money as other revenue sources.

The District's expenses increased by \$2,849,193 or 3.18%. The increase is principally due to increases in instructional program expenses.

As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized (i.e., 83.7% and 87.7% of the total for the years 2016 and 2015, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 82.2% and 82.3% of the total for the years 2016 and 2015, respectively).

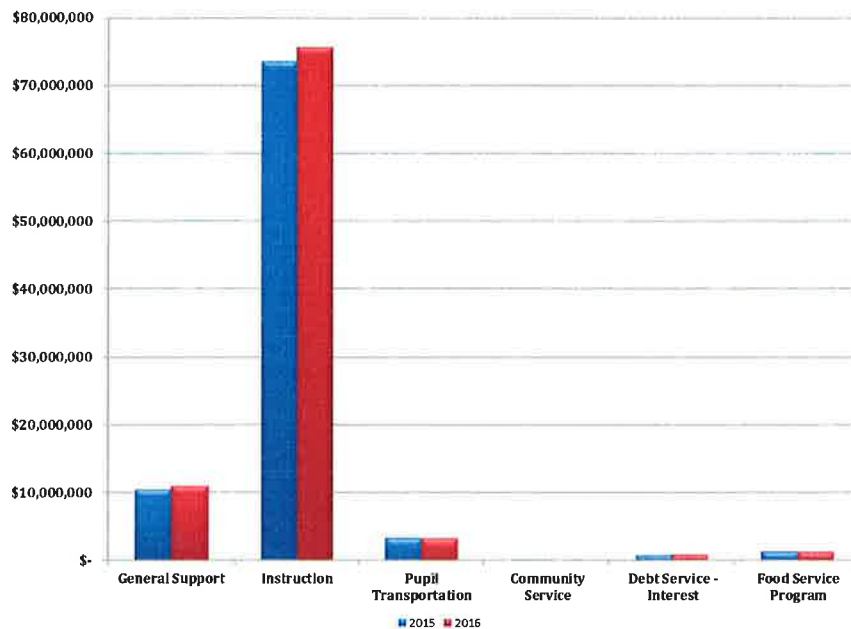
A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Capital Grants	Property Taxes and STAR	State Sources	Other
2015	1.5%	1.2%	0.0%	87.7%	7.0%	2.6%
2016	1.5%	1.2%	0.0%	83.7%	4.8%	8.8%

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

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



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
2015	11.7%	82.3%	3.7%	0.0%	0.9%	1.4%
2016	11.9%	82.2%	3.6%	0.0%	0.9%	1.4%

#### 4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2016, the District's governmental funds reported a combined fund balance of \$45,583,539, which is an increase of \$10,901,212 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2016	2015	Increase (Decrease)
<b>General Fund</b>			
Restricted			
Workers' compensation	\$ 2,008,835	\$ 2,003,812	\$ 5,023
Unemployment insurance	1,572,317	1,568,386	3,931
Retirement contribution	9,557,753	8,444,121	1,113,632
Liability	107,742	107,473	269
Employee benefit accrued liability	333,482	330,855	2,627
Capital	847,784	4,297	843,487
Repairs	1,329,219	1,326,111	3,108
Assigned:			
Appropriated fund balance	1,566,206	1,230,000	336,206
Special designation - LIPA	6,134,879	6,534,879	(400,000)
Unappropriated fund balance	1,273,077	1,937,885	(664,808)
Unassigned:			
Fund balance	3,979,766	3,903,023	76,743
	<u>28,711,060</u>	<u>27,390,842</u>	<u>1,320,218</u>

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

	2016	2015	Increase (Decrease)
<b>School Lunch Fund</b>			
Nonspendable: Inventory	\$ 30,343	\$ 21,784	\$ 8,559
Assigned: Unappropriated fund balance	<u>29,033</u>	<u>23,261</u>	<u>5,772</u>
	<u>59,376</u>	<u>45,045</u>	<u>14,331</u>
<b>Debt Service Fund</b>			
Restricted: Debt service	<u>1,702,735</u>	<u>1,559,915</u>	<u>142,820</u>
<b>Capital Projects Fund</b>			
Restricted:			
Capital	3,088,244	3,252,223	(163,979)
Repairs	204,649	204,649	-
Unspent bond proceeds	10,941,644	1,874,432	9,067,212
Assigned: Unappropriated fund balance	<u>875,831</u>	<u>355,221</u>	<u>520,610</u>
	<u>15,110,368</u>	<u>5,686,525</u>	<u>9,423,843</u>
Total Fund Balance	<u>\$ 45,583,539</u>	<u>\$ 34,682,327</u>	<u>\$ 10,901,212</u>

**A. General Fund**

The net change in the general fund – fund balance is an increase of \$1,320,218. This resulted from revenues in excess of expenditures.

Increases to the restricted reserves are from interest earnings totaling \$34,189, and Board-authorized transfers to the new 2016 capital reserve in the amount of \$836,728, and to the retirement contribution reserve in the amount of \$1,408,762, offset by the budgeted use of \$307,602 from the retirement contribution reserve in 2015-16.

The District expects to appropriate \$1,000,000 from the restricted reserve for retirement contribution during 2016-17. At June 30, 2016, the District added \$600,000 to, and reclassified \$1,000,000 from amounts assigned for special designation to appropriated fund balance to offset the 2016-17 tax levy. Assigned, unappropriated fund balance represents the open encumbrances at June 30<sup>th</sup>.

**B. School Lunch Fund**

The net change in the school lunch fund – fund balance is an increase of \$14,331, which was the operating profit of the food service program.

**C. Debt Service Fund**

The net change in the debt service fund – fund balance is an increase of \$142,820. The District received a premium on issued debt of \$215,243 and accrued interest on bond proceeds in the amount of \$27,577. This was offset by the budgeted use of the fund balance to offset current year debt payments in the amount of \$100,000.

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

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**D. Capital Projects Fund**

The net change in the capital projects fund – fund balance is an increase of \$9,423,843. The District transferred \$1,326,999 into the capital projects fund for various capital projects. In addition, the District issued \$13,121,299 in serial bonds for district-wide renovations. The District expended \$5,024,470 on the on-going projects.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2015-16 Budget**

The District's general fund adopted budget for the year ended June 30, 2016 was \$97,575,530. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,937,885 for a total final budget of \$99,513,415.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$89,580,765 in estimated property taxes and STAR. This amount was subsequently adjusted to \$82,051,457 as a result of the county's LIPA PILOT agreement.

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

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

Opening, Unassigned Fund Balance	\$ 3,903,023
Revenues Under Budget	(82,839)
Expenditures and Encumbrances Under Budget	3,605,467
Net Increase to Reserves and Special Designations	(1,879,679)
Appropriated for the 2016-17 Budget	<u>(1,566,206)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 3,979,766</u></u>

**Opening, Unassigned Fund Balance**

The \$3,903,023 shown in the table is the portion of the District's June 30, 2015 fund balance that was retained as unassigned. This amount, combined with the amount designated for LIPA totaled 10.70% of the District's 2015-16 approved operating budget of \$97,575,530, and was in excess of the 4% maximum allowed by law.

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

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Revenues Under Budget

The 2015-16 budget for revenues was \$96,037,928. Actual revenues received for the year were \$95,955,089. The shortfall of actual revenue over estimated or budgeted revenue was \$82,839. This variance contributes directly to the change to the general fund unassigned fund balance from June 30, 2015 to June 30, 2016.

Expenditures and Encumbrances Under Budget

The 2015-16 final budget for expenditures was \$99,513,415. Actual expenditures as of June 30, 2016 were \$94,634,871 and outstanding encumbrances were \$1,273,077. Combined, the expenditures plus encumbrances for 2015-16 were \$95,907,948. The final budget was under expended by \$3,605,467. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2015 to June 30, 2016.

Net Increase to Reserves and Special Designations

Monies transferred into authorized reserves and special designations do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers and an additional \$600,000.

The \$(1,879,679) shown in the above table is made up of two transfers: \$1,408,762 to the retirement contribution reserve and \$836,728 to the capital reserve, assigned for special designations. These were offset by the appropriation of \$1,000,000 in the special designation – LIPA assigned fund balance used to offset the 2016-17 tax levy. Additionally, interest earnings of \$34,189 were allocated to the reserves.

Appropriated Fund Balance

The District has chosen to use \$1,566,206 of the available June 30, 2016 fund balance to partially fund the 2016-17 approved operating budget. As such, the June 30, 2016 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2016 was \$3,979,766, which equals 4.0% of the 2016-17 budget. For purposes of determining whether the District is in compliance with the 4% statutory limit, this amount and the amount assigned-designated for LIPA will be combined by New York State, which equals 10.2% of the 2016-17 budget.

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

**6. CAPITAL ASSETS AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2016, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$5,494,135 in excess of depreciation of \$1,973,683 recorded for the year ended June 30, 2016. A summary of the District's capital assets, net of depreciation at June 30, 2016 and 2015 is as follows:

	2016	2015	Increase (Decrease)
Land	\$ 1,544,932	\$ 1,544,932	\$ -
Construction in progress	3,328,645	1,342,667	1,985,978
Buildings & improvements	58,295,346	56,631,659	1,663,687
Land improvements	343,186	415,856	(72,670)
Furniture and equipment	1,170,347	1,174,682	(4,335)
Vehicles	584,004	636,212	(52,208)
Capital assets, net	<u>\$ 65,266,460</u>	<u>\$ 61,746,008</u>	<u>\$ 3,520,452</u>

The District is continuing to make significant capital expenditures resulting from a voter approved \$19,621,299 bond authorization for capital improvements to District facilities. As of June 30, 2016, the District has issued the total authorized amount and has expended approximately 44.3% of the authorization and the construction is ongoing.

**B. Debt Administration**

At June 30, 2016, the District had total bonds payable of \$31,076,259. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The decreases in outstanding debt represent principal payments, while the increases represent two new issuances of long-term debt during the year ended June 30, 2016, relating to a refunding of the 2007 serial bonds and the issuance of serial bonds for capital additions. A summary of the outstanding debt at June 30, 2016 and 2015 is as follows:

Issue Date	Interest Rate	2016	2015	Increase (Decrease)
7/25/07	4.10-4.25%	\$ 1,195,000	\$ 5,245,000	\$ (4,050,000)
6/18/09	2.00-4.75%		1,210,000	(1,210,000)
6/24/10	3.0-5.0%	2,280,000	2,970,000	(690,000)
2/14/13	2.0-4.0%	5,080,000	5,550,000	(470,000)
10/23/14	2.0-3.0%	6,134,960	6,500,000	(365,040)
12/29/15	2.0-3.0%	13,121,299		13,121,299
5/26/16	4.0-5.0%	3,265,000		3,265,000
		<u>\$ 31,076,259</u>	<u>\$ 21,475,000</u>	<u>\$ 9,601,259</u>

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

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The District entered into an energy performance contract in May 2008 to finance improvements to increase the District's energy efficiency. The amount financed was \$4,818,782. It is payable through 2025 with interest at 3.71%. The total amount outstanding at June 30, 2016, is \$2,912,302.

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

**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 17, 2016, for the year ending June 30, 2017, is \$99,494,105. This is an increase of \$1,918,575 or 1.97% over the previous year's budget. The increase is principally in the program areas of the budget.

The District budgeted total revenues of \$96,927,899, an increase of \$889,971 or 0.9% over the prior year's revenue, of which the tax levy portion increased by 2.98%. The assigned appropriated fund balance applied to the budget in the amount of \$1,566,206 is an increase of \$336,206 over the prior year's appropriation. Additionally, the District has elected to appropriate \$1,000,000 from the retirement contribution reserve toward the next year's budget, an increase of \$692,398 over the previous year.

**B. Future Budgets**

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

**C. Tax Cap**

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's 2016-17 property tax increase of 2.98% was equal to the tax cap and did not require an override vote.

**8. CONTACTING THE DISTRICT**

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

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



**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2016

**ASSETS**

Cash	
Unrestricted	\$ 22,758,382
Restricted	31,694,404
Receivables	
Accounts receivable	38,501
Taxes receivable	2,179,992
Due from fiduciary funds	400,266
Due from state and federal	793,774
Due from other governments	1,963,647
Inventory	30,343
Capital assets:	
Not being depreciated	4,873,577
Being depreciated, net of accumulated depreciation	60,392,883
Net pension asset - proportionate share	27,990,400
Total Assets	<u>153,116,169</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges from advance refunding, net	576,262
Pensions	11,138,015
Total Deferred Outflows of Resources	<u>11,714,277</u>

**LIABILITIES**

Payables	
Accounts payable	2,586,139
Accrued liabilities	1,608,074
Due to other governments	1,048,826
Due to teachers' retirement system	5,935,059
Due to employees' retirement system	509,288
Other liabilities	2,600
Unearned credits	
Collections in advance	59,696
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	2,846,299
Energy performance contract payable	278,133
Due and payable after one year	
Bonds payable, net	29,488,010
Energy performance contract payable	2,634,169
Compensated absences payable	358,993
Workers' compensation liabilities	1,698,387
Net other postemployment benefits obligation	48,072,177
Net pension liability - proportionate share	5,186,259
Total Liabilities	<u>102,312,109</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred revenue	2,626,225
Pensions	10,303,660
Total Deferred Inflows of Resources	<u>12,929,885</u>

**NET POSITION**

Net investment in capital assets	<u>42,219,543</u>
Restricted:	
Workers' compensation	2,008,835
Unemployment insurance	1,572,317
Retirement contribution	9,557,753
Liability	107,742
Employee benefit accrued liability	333,482
Capital	3,936,028
Repairs	1,533,868
Debt service	1,702,735
	<u>20,752,760</u>
Unrestricted (deficit)	<u>(13,383,851)</u>
Total Net Position	<u>\$ 49,588,452</u>

**NORTH SHORE CENTRAL SCHOOL DISTRICT**

**Statement of Activities**

For The Year Ended June 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
<b>FUNCTIONS/PROGRAMS</b>					
General support	\$ 11,006,672	\$	\$	\$	\$ (11,006,672)
Instruction	75,872,607	315,836	977,106	15	(74,579,650)
Pupil transportation	3,308,822				(3,308,822)
Community service	34,350				(34,350)
Debt service - interest	810,931				(810,931)
Food service program	1,273,598	1,113,032	174,897		14,331
Total Functions and Programs	<u>\$ 92,306,980</u>	<u>\$ 1,428,868</u>	<u>\$ 1,152,003</u>	<u>\$ 15</u>	<u>(89,726,094)</u>
<b>GENERAL REVENUES</b>					
Real property taxes					77,971,864
Other tax items					12,269,039
Use of money and property					145,172
Sale of property and compensation for loss					53,706
Miscellaneous					477,397
State sources					4,719,598
Medicaid reimbursement					<u>11,135</u>
Total General Revenues					<u>95,647,911</u>
Change in Net Position					5,921,817
Total Net Position - Beginning of Year					<u>43,666,635</u>
Total Net Position - End of Year					<u>\$ 49,588,452</u>

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 19,913,079	\$ 23,323	\$ 330,627	\$	\$ 2,491,353	\$ 22,758,382
Restricted	15,996,622			1,463,245	14,234,537	31,694,404
Receivables						
Accounts receivable	32,427				6,074	38,501
Taxes receivable	2,179,992					2,179,992
Due from other funds	1,201,748		30,990	239,490		1,472,228
Due from state and federal	540,128	244,413	9,233			793,774
Due from other governments	1,963,647					1,963,647
Inventory			30,343			30,343
Total Assets	<u>\$ 41,827,643</u>	<u>\$ 267,736</u>	<u>\$ 401,193</u>	<u>\$ 1,702,735</u>	<u>\$ 16,731,964</u>	<u>\$ 60,931,271</u>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 1,933,677	\$ 75,756	\$ 1,181	\$	\$ 575,525	\$ 2,586,139
Accrued liabilities	738,640	66	28,754		449,046	1,216,506
Due to other funds	30,990	191,914	252,033		597,025	1,071,962
Due to other governments	1,048,673		153			1,048,826
Due to teachers' retirement system	5,935,059					5,935,059
Due to employees' retirement system	509,288					509,288
Other liabilities	2,600					2,600
Unearned credits						
Collections in advance			59,696			59,696
Total Liabilities	<u>10,198,927</u>	<u>267,736</u>	<u>341,817</u>	<u>-</u>	<u>1,621,596</u>	<u>12,430,076</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenues	2,626,225					2,626,225
Unavailable revenue	291,431					291,431
Total Deferred Inflows of Resources	<u>2,917,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,917,656</u>
<b>FUND BALANCES</b>						
Nonspendable: Inventory			30,343			30,343
Restricted:						
Workers' compensation	2,008,835					2,008,835
Unemployment insurance	1,572,317					1,572,317
Retirement contribution	9,557,753					9,557,753
Liability	107,742					107,742
Employee benefit accrued liability	333,482					333,482
Capital	847,784				3,088,244	3,936,028
Repairs	1,329,219				204,649	1,533,868
Debt service				1,702,735		1,702,735
Unspent bond proceeds					10,941,644	10,941,644
Assigned:						
Appropriated fund balance	1,566,206					1,566,206
Special designation - LIPA	6,134,879					6,134,879
Unappropriated fund balance	1,273,077		29,033		875,831	2,177,941
Unassigned: Fund balance	<u>3,979,766</u>					<u>3,979,766</u>
Total Fund Balances	<u>28,711,060</u>	<u>-</u>	<u>59,376</u>	<u>1,702,735</u>	<u>15,110,368</u>	<u>45,583,539</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 41,827,643</u>	<u>\$ 267,736</u>	<u>\$ 401,193</u>	<u>\$ 1,702,735</u>	<u>\$ 16,731,964</u>	<u>\$ 60,931,271</u>

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2016

Total Governmental Fund Balances \$ 45,583,539

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

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are 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	\$ 98,097,881	
Accumulated depreciation	<u>(32,831,421)</u>	65,266,460

Proportionate share of long-term asset and 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	27,990,400	
Deferred outflows of resources	11,138,015	
Net pension liability - employees' retirement system	(5,186,259)	
Deferred inflows of resources	<u>(10,303,660)</u>	23,638,496

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.

291,431

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

Deferred charges on advance refunding	1,105,230	
Less: accumulated amortization	<u>(528,968)</u>	576,262

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

Accrued interest on bonds payable	(391,568)	
Bonds payable, net	(32,334,309)	
Energy performance contract payable	(2,912,302)	
Compensated absences payable	(358,993)	
Workers' compensation liabilities	(1,698,387)	
Net other postemployment benefits obligation	<u>(48,072,177)</u>	(85,767,736)

Total Net Position		<u>\$ 49,588,452</u>
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**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 77,971,864	\$	\$	\$	\$	\$ 77,971,864
Other tax items	12,269,039					12,269,039
Charges for services	315,836					315,836
Use of money and property	117,595			27,577		145,172
Sale of property and compensation for loss	53,706					53,706
Miscellaneous	477,397				15	477,412
State sources	4,738,517	138,592	10,001			4,887,110
Medicaid reimbursement	11,135					11,135
Federal sources		838,514	117,816			956,330
Surplus food			47,080			47,080
Sales - school lunch			1,113,032			1,113,032
<b>Total Revenues</b>	<b>95,955,089</b>	<b>977,106</b>	<b>1,287,929</b>	<b>27,577</b>	<b>15</b>	<b>98,247,716</b>
<b>EXPENDITURES</b>						
General support	8,992,036			74,792		9,066,828
Instruction	55,199,567	1,131,034				56,330,601
Pupil transportation	2,595,445	38,739				2,634,184
Community service	25,196					25,196
Employee benefits	22,002,965					22,002,965
Debt service						
Principal				3,558,145		3,558,145
Interest	33,439			808,412		841,851
Cost of sales			1,273,598			1,273,598
Capital outlay					5,024,470	5,024,470
<b>Total Expenditures</b>	<b>88,848,648</b>	<b>1,169,773</b>	<b>1,273,598</b>	<b>4,441,349</b>	<b>5,024,470</b>	<b>100,757,838</b>
Excess (Deficiency) of Revenues Over Expenditures	7,106,441	(192,667)	14,331	(4,413,772)	(5,024,455)	(2,510,122)
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Proceeds of debt				3,265,000	13,121,299	16,386,299
Premiums on obligations				715,709		715,709
Payment to escrow agent				(3,690,674)		(3,690,674)
Operating transfers in		192,667		4,266,557	1,326,999	5,786,223
Operating transfers (out)	(5,786,223)					(5,786,223)
<b>Total Other Financing Sources and (Uses)</b>	<b>(5,786,223)</b>	<b>192,667</b>	<b>-</b>	<b>4,556,592</b>	<b>14,448,298</b>	<b>13,411,334</b>
Net Change in Fund Balances	1,320,218	-	14,331	142,820	9,423,843	10,901,212
Fund Balances - Beginning of Year	27,390,842		45,045	1,559,915	5,686,525	34,682,327
End of Year	\$ 28,711,060	\$ -	\$ 59,376	\$ 1,702,735	\$ 15,110,368	\$ 45,583,539

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For The Year Ended June 30, 2016

Net Change in Fund Balances \$ 10,901,212

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

Long-Term Revenue and Expense Differences

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

\$ (18,920)

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

Increase in compensated absences payable

(28,138)

Increase in net other postemployment benefits obligation

(5,870,521)

(5,917,579)

Capital Related Differences

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

Capital outlays

5,494,135

Depreciation expense

(1,973,683)

3,520,452

Long-Term Debt Transactions Differences

Proceeds and premiums from the issuance of bonds are other funding sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.

(17,102,008)

Amortization of deferred premium on refunding and serial bonds

125,372

Amortization of deferred charges on refunding

(83,106)

Payment to escrow agent is an expenditure in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities

3,690,674

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

Repayment of bond principal

3,290,040

Repayment of energy performance contract payable

268,105

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 increased from June 30, 2015 to June 30, 2016.

(11,346)

(9,822,269)

Pension Differences

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

Teachers' retirement system

7,524,321

Employees' retirement system

(284,320)

7,240,001

Change in Net Position of Governmental Activities

\$ 5,921,817

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
June 30, 2016

	<u>Agency</u>	<u>Private Purpose Trust</u>
<b>ASSETS</b>		
Cash		
Unrestricted	\$ 1,431,455	\$
Restricted		184,796
Accounts receivable	<u>640,366</u>	
Total Assets	<u>\$ 2,071,821</u>	<u>184,796</u>
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 238,633	
Due to governmental funds	400,266	
Other liabilities	<u>1,432,922</u>	
Total Liabilities	<u>\$ 2,071,821</u>	<u>-</u>
 <b>NET POSITION</b>		
Restricted for scholarships		<u>\$ 184,796</u>

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
For The Year Ended June 30, 2016

	Private Purpose Trust
<b>ADDITIONS</b>	
Contributions	\$ 45,160
Investment earnings - interest	<u>53</u>
Total Additions	<u>45,213</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>20,200</u>
Change in Net Position	25,013
Net Position - Beginning of Year	<u>159,783</u>
Net Position - End of Year	<u><u>\$ 184,796</u></u>



**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

Extraclassroom Activity Funds

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

**B. Joint Venture**

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

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

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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.

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 Lunch Fund** - is used to account for the activities of the food service program.

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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***Debt Service Fund*** - accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

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

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

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

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**E. Real Property Taxes**

Calendar

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

Enforcement

Uncollected real property taxes are subsequently enforced by Nassau County.

**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 contingent assets and liabilities 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

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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absences, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

**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 lunch 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 and prepaids do not constitute available spendable resources.

**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 estimated fair market value at the date of donation.

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

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

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 three items that qualify for reporting in this category. First is the unamortized amount of deferred charges from a prior year's and current year's refunding of bonds that is being amortized as a component of interest expense on a straight-line basis through June 30, 2025. The second item is related to pensions and represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

**N. Collections in Advance**

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

**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 certain state aid allocations. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is PILOT monies received or recognized before the period for which the resources apply. The amounts will be recognized as revenue in the period they apply. The third item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments.

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

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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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.

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

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

**Q. Other Benefits**

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

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

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

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

**R. Short-Term Debt**

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

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

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

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

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

Fund Statements

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

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



**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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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.

*Liability Reserve*

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

*Employee Benefit Accrued Liability Reserve*

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

*Capital Reserve*

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

*Repairs Reserve*

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

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

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*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 – Unspent Bond Proceeds*

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

*Restricted for Scholarships*

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

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

*Unassigned* – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned. NYS Real Property Tax Law §1318, restricts the unassigned fund balance plus assigned special designated amounts of the general fund to an amount not greater than 4% of the subsequent year's budget.

**Fund Balance Classification**

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

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

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

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS**

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension Differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability, differences between the District's contributions and its proportionate share of the total

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

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contributions to the pension systems and District contributions to the pension systems subsequent to the measurement date.

**3. 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 adopted at the program line item level.

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

Budgets are adopted annually on a basis consistent with GAAP.

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

**B. Encumbrances**

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

**C. Unassigned Fund Balance**

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

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

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**4. 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.

**5. PARTICIPATION IN BOCES**

During the year ended June 30, 2016, the District was billed \$3,628,891 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$896,172. Financial statements for the BOCES are available from the BOCES administrative offices at 71 Clinton Road, P.O. Box 9195, Garden City, New York 11530-9195.

**6. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2016 consisted of:

General Fund	
New York State - building aid	\$ 17,683
New York State - excess cost aid	522,445
	<u>540,128</u>
Special Aid Fund	
Federal and state grants	244,413
School Lunch Fund	
Federal and state food service program reimbursements	9,233
	<u>\$ 793,774</u>

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2016 consisted of:

General Fund	
PILOT payments	\$ 998,254
BOCES aid	717,328
Other districts - tuition and health services	64,262
Other districts - parentally placed	95,999
Miscellaneous	87,804
	<u>\$ 1,963,647</u>

**8. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	Balance <u>June 30, 2015</u>	Additions	Reductions	Balance <u>June 30, 2016</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,544,932	\$	\$	\$ 1,544,932
Construction in progress	1,342,667	3,328,645	(1,342,667)	3,328,645
Total capital assets not being depreciated	<u>2,887,599</u>	<u>3,328,645</u>	<u>(1,342,667)</u>	<u>4,873,577</u>
Capital assets being depreciated				
Buildings & improvements	80,070,395	3,038,491		83,108,886
Land improvements	1,537,512			1,537,512
Furniture and equipment	5,667,425	359,666	(199,895)	5,827,196
Vehicles	2,755,201	110,000	(114,491)	2,750,710
Total capital assets being depreciated	<u>90,030,533</u>	<u>3,508,157</u>	<u>(314,386)</u>	<u>93,224,304</u>
Less accumulated depreciation for:				
Buildings & improvements	23,438,736	1,374,804		24,813,540
Land improvements	1,121,656	72,670		1,194,326
Furniture and equipment	4,492,743	364,001	(199,895)	4,656,849
Vehicles	2,118,989	162,208	(114,491)	2,166,706
Total accumulated depreciation	<u>31,172,124</u>	<u>1,973,683</u>	<u>(314,386)</u>	<u>32,831,421</u>
Total capital assets, being depreciated, net	<u>58,858,409</u>	<u>1,534,474</u>	<u>-</u>	<u>60,392,883</u>
Capital assets, net	<u>\$ 61,746,008</u>	<u>\$ 4,863,119</u>	<u>\$ (1,342,667)</u>	<u>\$ 65,266,460</u>

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Depreciation expense was charged to governmental functions as follows:

General support	\$ 184,594
Instruction	1,591,013
Pupil transportation	<u>198,076</u>
Total depreciation expense	<u>\$ 1,973,683</u>

**9. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2016, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,201,748	\$ 30,990	\$	\$ 5,786,223
Special Aid Fund		191,914	192,667	
School Lunch Fund	30,990	252,033		
Debt Service Fund	239,490		4,266,557	
Capital Projects Fund		597,025	1,326,999	
Total Governmental Funds	<u>1,472,228</u>	<u>1,071,962</u>	<u>5,786,223</u>	<u>5,786,223</u>
Fiduciary Funds		<u>400,266</u>		
Total	<u>\$ 1,472,228</u>	<u>\$ 1,472,228</u>	<u>\$ 5,786,223</u>	<u>\$ 5,786,223</u>

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 and the debt service fund for debt principal and interest payments in accordance with the general fund budget. The general fund also transferred \$1,326,999 to the capital projects fund in accordance with the voter approved budget for various capital projects.

**10. SHORT-TERM DEBT**

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

	Maturity	Stated Interest Rate	Balance June 30, 2015	Issued	Redeemed	Balance June 30, 2016
TAN	6/21/2016	1.50%	\$	\$ 5,000,000	\$ (5,000,000)	\$

Interest on short-term debt for the year was \$33,439, net of a premium of \$36,353, to yield an effective interest rate of 0.45%.

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
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**11. LONG-TERM LIABILITIES**

**A. Changes**

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

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
<u>Long-term debt:</u>					
Bonds payable	\$21,475,000	\$ 12,891,299	\$ (3,290,040)	\$ 31,076,259	\$ 2,846,299
Add: Premium	667,713	715,709	(125,372)	1,258,050	
	22,142,713	13,607,008	(3,415,412)	32,334,309	2,846,299
Energy performance contract	3,180,407		(268,105)	2,912,302	278,133
	25,323,120	13,607,008	(3,683,517)	35,246,611	3,124,432
<u>Other long-term liabilities</u>					
Compensated absences	330,855	28,138		358,993	
Workers' compensation	1,698,387	170,440	(170,440)	1,698,387	
	2,029,242	198,578	(170,440)	2,057,380	-
	<u>\$27,352,362</u>	<u>\$ 13,805,586</u>	<u>\$ (3,853,957)</u>	<u>\$ 37,303,991</u>	<u>\$ 3,124,432</u>

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

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2016
Serial bond	7/25/2007	8/1/2018	4.10-4.25%	\$ 1,195,000
Refunding serial bond	6/24/2010	7/1/2018	3.0-5.0%	2,280,000
Refunding serial bond	2/14/2013	7/15/2024	2.0-4.0%	5,080,000
Serial bond	10/23/2014	7/15/2029	2.0-3.0%	6,134,960
Serial bond	12/29/2015	12/15/2030	2.0-3.0%	13,121,299
Refunding serial bond	5/26/2016	8/1/2022	4.0-5.0%	3,265,000
				<u>\$ 31,076,259</u>



**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
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The following is a summary of debt service requirements for bonds payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,846,299	\$ 1,063,955	\$ 3,910,254
2018	3,050,000	862,000	3,912,000
2019	3,080,000	676,103	3,756,103
2020	2,360,000	584,756	2,944,756
2021	2,445,000	506,150	2,951,150
2022 - 2026	10,375,000	1,548,841	11,923,841
2027 - 2031	6,919,960	500,325	7,420,285
Total	<u>\$ 31,076,259</u>	<u>\$ 5,742,130</u>	<u>\$ 36,818,389</u>

**C. Energy Performance Contract**

Energy performance contract is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2016</u>
Energy performance contract	5/29/2008	5/1/2025	3.71%	<u>\$ 2,912,302</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 278,133	\$ 105,377	\$ 383,510
2017	288,536	94,974	383,510
2018	299,329	84,181	383,510
2019	310,525	72,985	383,510
2020	322,139	61,371	383,510
2021 - 2025	1,413,640	120,400	1,534,040
Total	<u>\$ 2,912,302</u>	<u>\$ 539,288</u>	<u>\$ 3,451,590</u>

**D. Advance Refunding and Bond Issuance**

On May 26, 2016, the District issued \$3,265,000 in general obligation bonds with an average stated interest rate of 4.68% (yielding an average effective interest rate of 1.02%) to advance refund \$3,495,000 of outstanding serial bonds with an average stated interest rate of 4.20%. The net proceeds of \$3,690,674 (including a premium of \$500,466, and after payment of \$74,792 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$243,404. The outstanding principal balance of the defeased bonds is \$3,495,000 at June 30, 2016.

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On December 29, 2015, the District issued \$13,121,299 in serial bonds with an average interest rate of 2.33%. The principal proceeds will be used to provide funding for district-wide capital projects. In addition, the issuance of the bonds included proceeds related to a premium in the amount of \$215,243. The premium proceeds will be utilized to offset future debt payments.

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

Fiscal Year Ending June 30,	Deferred Premium	Deferred Charge	Interest Expense Increase / (Decrease)
2017	\$ (207,998)	\$ 108,819	\$ (99,179)
2018	(207,998)	108,819	(99,179)
2019	(160,260)	79,403	(80,857)
2020	(126,470)	58,392	(68,078)
2021	(126,470)	58,392	(68,078)
2022 - 2026	(356,929)	162,437	(194,492)
2027 - 2031	(71,925)		(71,925)
Total	<u>\$ (1,258,050)</u>	<u>\$ 576,262</u>	<u>\$ (681,788)</u>

**E. Interest Expense**

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

Interest paid	\$ 808,412
Less interest accrued in the prior year	(380,222)
Plus interest accrued in the current year	391,568
Plus amortization of deferred charges on refunding	83,106
Less amortization of deferred premium on refunding and serial bonds	<u>(125,372)</u>
Total interest expense on long-term debt	<u>\$ 777,492</u>

**12. PENSION PLANS – NEW YORK STATE**

**A. General Information**

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

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
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**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](http://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 New York State Retirement and Social Security Law. 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. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found on the NYS Comptroller's website at [www.osc.state.ny.us/retire/publications/index.php](http://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 30<sup>th</sup>, 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 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
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The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30<sup>th</sup>, for the current year and two preceding years was:

Contributions	TRS	ERS
2016	\$ 5,592,679	\$ 1,719,150
2015	7,096,070	1,818,587
2014	6,418,380	1,899,306

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

At June 30, 2016, 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, 2015, for TRS and March 31, 2016 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 ERS Systems in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
District's proportionate share of the net pension asset/(liability)	\$ 27,990,400	\$ (5,186,259)
District's portion of the Plan's total net pension asset/(liability)	0.2694800%	0.0323126%
Change in proportion since the prior measurement date	0.0020900	0.0017924

For the year ended June 30, 2016, the District recognized pension expense (credit) of \$(1,858,853) for TRS and \$2,005,484 for ERS. At June 30, 2016, 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	\$	\$ 26,207	\$ 775,734	\$ 614,745
Change of assumptions		1,383,019		
Net difference between projected and actual earnings on pension plan investments		3,076,774	8,847,910	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	4,262	545,786	65,271	
District's contributions subsequent to the measurement date	5,592,679	509,288		
Total	\$ 5,596,941	\$ 5,541,074	\$ 9,688,915	\$ 614,745

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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, 2017. 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 Ended	TRS	ERS
2017	\$ (3,576,437)	\$ 1,134,558
2018	(3,576,437)	1,134,558
2019	(3,576,437)	1,134,558
2020	1,463,719	1,013,367
2021	(104,420)	
Thereafter	(314,641)	
	<u>\$ (9,684,653)</u>	<u>\$ 4,417,041</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, 2015	March 31, 2016
Actuarial valuation date	June 30, 2014	April 1, 2015
Interest rate	8.0%	7.0%
Salary scale	4.01-10.91%	3.8%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	3.0%	2.5%

For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale AA. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined 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

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pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2015		March 31, 2016
Asset type				
Domestic equity	37.0%	6.50%	38.0%	7.30%
International equity	18.0%	7.70%	13.0%	8.55%
Real estate	10.0%	4.60%	8.0%	8.25%
Alternative investments	7.0%	9.90%	19.0%	6.75-11.00%
Domestic fixed income securities	17.0%	2.10%		
Global fixed income securities	2.0%	1.90%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term	1.0%	1.20%		
Cash			2.0%	2.25%
Inflation indexed bonds			2.0%	4.00%
	100.0%		100.0%	

**Discount Rate**

The discount rate used to calculate the total pension liability was 8.0% for TRS and 7.0% for ERS (the discount rate used by the ERS at the prior year's measurement date of March 31, 2015, 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 8.0% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (7.0% for TRS and 6.0% for ERS) or 1 percentage point higher (9.0% for TRS and 8.0% for ERS) than the current rate:

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	1% Decrease 7.00 %	Current Assumption 8.00 %	1% Increase 9.00 %
TRS			
District's proportionate share of the net pension asset (liability)	\$ (1,909,306)	\$ 27,990,400	\$ 53,488,570
ERS	1% Decrease 6.00 %	Current Assumption 7.00 %	1% Increase 8.00 %
District's proportionate share of the net pension asset (liability)	\$ (11,694,638)	\$ (5,186,259)	\$ 313,043

**Pension Plan Fiduciary Net Position**

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

	TRS (Dollars in Thousands) June 30, 2015	ERS March 31, 2016
Measurement date		
Employers' total pension liability	\$ (99,332,104)	\$ (172,303,544)
Plan fiduciary net position	109,718,917	156,253,265
Employers' net pension asset/(liability)	\$ 10,386,813	\$ (16,050,279)
Ratio of plan fiduciary net position to the employers' total pension liability	110.46%	90.68%

**Payables to the Pension Plan**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016, are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016, represent employer and employee contributions for the fiscal year ended June 30, 2016, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$5,592,679 of employer contributions and \$342,380 of employee contributions.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2016, represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$509,288 of employer contributions. Employee contributions are remitted monthly.

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**13. PENSION PLANS - OTHER**

**A. Tax Sheltered Annuities**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2016, totaled \$10,000 and \$3,114,402, respectively.

**B. Deferred Compensation Plan**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2016 totaled \$206,853.

**14. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. Plan Description**

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

**B. Funding Policy**

The District assumes a varying percentage of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2016, the District recognized a general fund expenditure of \$3,164,366 for insurance premiums for 303 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

**C. Annual OPEB Cost and Net OPEB Obligation**

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



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Annual required contribution (ARC)	\$ 9,693,965
Interest on net OPEB obligation	1,688,066
Adjustment to ARC	<u>(2,347,144)</u>
Annual OPEB cost (expense)	9,034,887
Contributions made	<u>(3,164,366)</u>
 Increase in net OPEB obligation	 5,870,521
Net OPEB obligation - beginning of year	<u>42,201,656</u>
 Net OPEB obligation - end of year	 <u><u>\$ 48,072,177</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 9,034,887	35.0%	\$ 48,072,177
June 30, 2015	8,964,058	28.0%	42,201,656
June 30, 2014	8,317,743	33.0%	35,730,111

**D. Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date (which is an updated valuation), the plan was 0% funded. The actuarial accrued liability for benefits was \$91,929,097 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$91,929,097. The covered payroll (annual payroll of active employees covered by the plan) was \$46,825,266, and the ratio of the UAAL to the covered payroll was 196.0%.

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

**E. Actuarial Methods and Assumptions**

The valuation of July 1, 2015, is an update derived from estimates from the previous valuation dated July 1, 2014, based on the fact that there were no material changes to any of the benefit packages, the cost sharing structures or the census.

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(Continued)

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

In the July 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.0% after seven years. The UAAL is being amortized on a level dollar method on an open basis over 30 years.

**15. RISK MANAGEMENT**

**A. General Information**

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

**B. Risk Retention**

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

	<u>2015</u>	<u>2016</u>
Unpaid claims at beginning of year	\$ 1,660,600	\$ 1,698,387
Incurred claims and claim adjustment expenses	326,555	170,440
Claim payments	<u>(288,768)</u>	<u>(170,440)</u>
Unpaid claims at year end	<u>\$ 1,698,387</u>	<u>\$ 1,698,387</u>

**16. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES**

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2016 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2017:

Retirement Contribution	<u>\$ 1,000,000</u>
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**17. ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$1,566,206 has been appropriated to reduce taxes for the year ending June 30, 2017.

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

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**18. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2016, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	<u>\$ 1,758,688</u>
Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	924,503
Instruction	271,683
Pupil transportation	69,183
Employee benefits	<u>7,708</u>
	<u>1,273,077</u>
School Lunch Fund	
Food service program	<u>2,653</u>
Capital Projects Fund	
Capital projects	<u>82,452</u>
	<u><u>\$ 3,116,870</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.

**C. Litigation**

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

**D. Operating Leases**

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$174,834. The minimum remaining operating lease payments are as follows:

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

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<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 164,089
2018	164,089
2019	161,410
2020	13,880
2021	<u>2,898</u>
	<u>\$ 506,366</u>

**19. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 28, 2016, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

On October 5, 2016, the District issued tax anticipation notes in the amount of \$5,000,000, which are due June 22, 2017 and bear interest at a stated rate of 1.75%. The District received premiums of \$38,413 with the borrowing to yield an effective interest rate of 1.08%.

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 89,580,765	\$ 77,821,094	\$ 77,971,864	\$ 150,770
Other tax items	1,490,205	13,249,876	12,269,039	(980,837)
Charges for services	400,000	400,000	315,836	(84,164)
Use of money and property	145,000	145,000	117,595	(27,405)
Sale of property and compensation for loss			53,706	53,706
Miscellaneous	304,533	304,533	477,397	172,864
Total Local Sources	91,920,503	91,920,503	91,205,437	(715,066)
State Sources	4,117,425	4,117,425	4,738,517	621,092
Medicaid Reimbursement			11,135	11,135
Total Revenues	96,037,928	96,037,928	95,955,089	\$ (82,839)
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	1,230,000	1,230,000		
Prior Year's Encumbrances	1,937,885	1,937,885		
Appropriated Reserves	307,602	307,602		
Total Appropriated Fund Balance	3,475,487	3,475,487		
Total Revenues and Appropriated Fund Balance	\$ 99,513,415	\$ 99,513,415		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 246,402	\$ 320,492	\$ 271,380	\$ 12,343	\$ 36,769
Central administration	440,387	421,247	418,159	1,397	1,691
Finance	1,133,287	1,226,519	1,155,721	40,523	30,275
Staff	404,869	457,678	408,033	22,275	27,370
Central services	7,267,800	6,739,843	5,815,179	845,665	78,999
Special items	868,724	950,224	923,564	2,300	24,360
Total General Support	10,361,469	10,116,003	8,992,036	924,503	199,464
Instruction					
Administration & improvement	4,991,382	5,148,789	4,971,003	48,553	129,233
Teaching - regular school	32,301,770	32,343,343	31,250,625	151,398	941,320
Programs for students with disabilities	11,490,555	11,159,922	10,739,252	13,922	406,748
Occupational education	352,096	352,096	338,201	2,810	11,085
Teaching - special schools	180,800	180,800	153,031	2,900	24,869
Instructional media	2,554,000	2,572,198	2,469,028	38,228	64,942
Pupil services	5,349,179	5,439,112	5,278,427	13,872	146,813
Total Instruction	57,219,782	57,196,260	55,199,567	271,683	1,725,010
Pupil Transportation	3,019,033	3,020,546	2,595,445	69,183	355,918
Community Services	42,500	42,500	25,196		17,304
Employee Benefits	24,336,407	23,318,283	22,002,965	7,708	1,307,610
Debt Service					
Interest	75,000	33,600	33,439		161
Total Expenditures	95,054,191	93,727,192	88,848,648	1,273,077	3,605,467
<b>OTHER USES</b>					
Operating transfers out	4,459,224	5,786,223	5,786,223		-
Total Expenditures and Other Uses	\$ 99,513,415	\$ 99,513,415	94,634,871	\$ 1,273,077	\$ 3,605,467
Net Change in Fund Balance			1,320,218		
Fund Balance - Beginning of Year			27,390,842		
Fund Balance - End of Year			\$ 28,711,060		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Schedule of Funding Progress - Other Postemployment Benefits**  
June 30, 2016

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 91,929,097	\$ 91,929,097	0%	\$ 46,825,266	196.3%
July 1, 2012	-	87,207,168	87,207,168	0%	46,705,338	186.7%
July 1, 2010	-	85,821,535	85,821,535	0%	41,764,699	205.5%

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/Liability**  
June 30, 2016

***Teachers' Retirement System***

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension asset	0.2694800%	0.2673900%
District's proportionate share of the net pension asset	\$ 27,990,400	\$ 29,785,620
District's covered payroll	\$ 40,834,874	\$ 39,917,240
District's proportionate share of the net pension asset as a percentage of its covered payroll	68.55 %	74.62 %
Plan fiduciary net position as a percentage of the total pension liability	110.46%	90.68%

***Employees' Retirement System***

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0323126%	0.0305202%
District's proportionate share of the net pension liability	\$ 5,186,259	\$ 1,031,048
District's covered payroll	\$ 10,251,674	\$ 9,964,689
District's proportionate share of the net pension liability as a percentage of its covered payroll	50.59 %	10.35 %
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%



**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Schedule of District Contributions**  
June 30, 2016

***Teachers' Retirement System***

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 5,592,679	\$ 7,096,070	\$ 6,418,380	\$ 4,651,542	\$ 4,445,825	\$ 3,289,867	\$ 2,277,429	\$ 2,657,319	\$ 2,820,356	\$ 2,578,192
Contributions in relation to the contractually required contribution	<u>5,592,679</u>	<u>7,096,070</u>	<u>6,418,380</u>	<u>4,651,542</u>	<u>4,445,825</u>	<u>3,289,867</u>	<u>2,277,429</u>	<u>2,657,319</u>	<u>2,820,356</u>	<u>2,578,192</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$42,334,323	\$40,834,874	\$39,917,240	\$39,752,414	\$40,583,269	\$37,830,701	\$37,417,515	\$35,599,621	\$33,479,718	\$30,887,257
Contributions as a percentage of covered payroll	13%	17%	16%	12%	11%	9%	6%	7%	8%	8%

***Employees' Retirement System***

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 1,719,150	\$ 1,818,587	\$ 1,899,306	\$ 1,739,800	\$ 1,331,513	\$ 1,084,836	\$ 618,565	\$ 662,317	\$ 630,447	\$ 712,109
Contributions in relation to the contractually required contribution	<u>1,719,150</u>	<u>1,818,587</u>	<u>1,899,306</u>	<u>1,739,800</u>	<u>1,331,513</u>	<u>1,084,836</u>	<u>618,565</u>	<u>662,317</u>	<u>630,447</u>	<u>712,109</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$10,248,524	\$ 9,964,689	\$ 9,480,525	\$ 9,441,547	\$ 9,329,793	\$ 9,102,281	\$ 9,064,586	\$ 8,352,014	\$ 7,659,720	\$ 5,152,819
Contributions as a percentage of covered payroll	17%	18%	20%	18%	14%	12%	7%	8%	8%	14%

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit - General Fund**  
**For The Year Ended June 30, 2016**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 97,575,530
Additions:	
Prior year's encumbrances	<u>1,937,885</u>
Original Budget	99,513,415
Budget revision	<u>-</u>
Final Budget	<u><u>\$ 99,513,415</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2016-17 voter-approved expenditure budget	<u><u>\$ 99,494,105</u></u>
Maximum allowed (4% of 2016-17 budget)	<u><u>\$ 3,979,764</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 8,974,162
Unassigned fund balance	<u>3,979,766</u>
	\$ 12,953,928
Less:	
Appropriated fund balance	1,566,206
Encumbrances	<u>1,273,077</u>
Total adjustments	<u>2,839,283</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 10,114,645</u></u>
Actual Percentage	10.2%

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Schedule of Project Expenditures -**  
**Capital Projects Fund**  
For The Year Ended June 30, 2016

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Methods of Financing			Total	Fund Balance June 30, 2016
			Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		
Middle School Roof and Playground	\$ 2,046,474	\$ 2,008,474	\$ 1,886,977	\$ 99,391	\$ 1,986,368	\$ 22,106	\$ 2,047,974	\$	\$	\$ 2,047,974	\$ 61,606
Middle School Science Rooms and Fields	1,300,900	1,986,900	77,486	290,084	367,570	1,619,330	1,300,900			1,300,900	933,330
Glen Head Roof	1,008,701	974,801	950,762	8,144	958,906	15,895	1,006,701			1,006,701	47,795
Glen Head Flooring	136,642	138,542	126,240	11,366	137,606	936	138,642			138,642	1,036
Glen Head Water and Masonry	906,297	1,145,297	31,145	130,869	162,014	983,283	906,297			906,297	744,283
Glenwood Landing Flooring and Paving	867,856	501,876	462,143	3,048	465,191	36,685	810,376			810,376	345,185
Glenwood Landing Masonry	3,198,155	3,198,155	71,184	422,543	493,727	2,704,428	3,198,155			3,198,155	2,704,428
Sea Cliff Electric and Playground	176,117	139,117	129,621	655	130,276	8,841	176,117			176,117	45,841
Sea Cliff Masonry	914,025	1,029,025	213,098	531,898	744,996	284,029	914,025			914,025	169,029
Districtwide Security	296,641	471,122	278,922	162,223	441,145	29,977	469,122		9,023	478,145	37,000
Middle School Masonry and Windows	4,001,563	3,244,063	294,342	2,343,526	2,637,868	606,195	3,888,063			3,888,063	1,250,195
Transportation Garage Roof	51,764	51,764	1,192	516	1,708	50,056	51,764			51,764	50,056
Glenwood Landing Auditorium	223,321	242,321	5,243	4,055	9,298	233,023	223,321			223,321	214,023
High School Auditorium and Paving	2,996,586	2,996,586	71,388	25,228	96,616	2,899,970	2,996,586			2,996,586	2,899,970
Sea Cliff Roof and HVAC	1,493,256	1,493,256	34,848	20,541	55,389	1,437,867	1,493,256			1,493,256	1,437,867
Middle School Science Rooms and Fields	212,397	262,323			-	262,323			314,873	314,873	314,873
High School Tennis Courts and HVAC	142,000	1,104,901	292,624	719,362	1,011,986	92,915			1,106,551	1,106,551	94,565
Middle School Kitchen	241,000	491,000	448,645		448,645	42,355		75,000	416,000	491,000	42,355
High School Field House		1,240,725	1,168,985		1,168,985	71,740		105,000	1,063,985	1,168,985	-
High School Track and Field	3,150,000	2,714,275	2,532,284	148,735	2,681,019	33,256			2,686,046	2,686,046	5,027
Glen Head Masonry	190,000	236,906	212,886		212,886	24,020			212,886	212,886	-
Sea Cliff Masonry	160,125	160,125	156,404		156,404	3,721			159,806	159,806	3,402
High School Masonry	149,875	102,969	72,408		72,408	30,561			127,308	127,308	54,900
High School Electric Switchgear	29,000	160,000	112,906		112,906	47,094			200,000	200,000	87,094
Victorian House	8,000	474,811	433,106	3,028	436,134	38,677			357,092	357,092	(79,042) *
Emergency School House Repair	270,669	270,669	124,322		124,322	146,347			270,669	270,669	146,347
Middle School HVAC	650,000	1,179,500	12,643	85,272	97,915	1,081,585			1,179,500	1,179,500	1,081,585
Glen Head HVAC	350,000	350,000	6,808	4,963	11,771	338,229			350,000	350,000	338,229
High School HVAC	623,000	623,000	12,118	5,476	17,594	605,406			623,000	623,000	605,406
Sea Cliff HVAC	700,000	700,000	16,124	3,547	19,671	680,329			700,000	700,000	680,329
Elementary Playground Surface		500,000			-	500,000			500,000	500,000	500,000
Capital Reserve Projects		293,654			-	293,654			293,654	293,654	293,654
	<u>\$ 26,494,364</u>	<u>\$ 30,486,157</u>	<u>\$ 10,236,854</u>	<u>\$ 5,024,470</u>	<u>\$ 15,261,324</u>	<u>\$ 15,224,833</u>	<u>\$ 19,621,299</u>	<u>\$ 180,000</u>	<u>\$ 10,570,393</u>	<u>\$ 30,371,692</u>	<u>\$ 15,110,368</u>

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

**NORTH SHORE CENTRAL SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
June 30, 2016

Capital assets, net	<u>\$ 65,266,460</u>
Deduct:	
Short-term portion of bonds payable	2,846,299
Long-term portion of bonds payable	28,229,960
Less: Unspent bond proceeds	(10,941,644)
Short-term portion of energy performance contract	278,133
Long-term portion of energy performance contract	<u>2,634,169</u>
	<u>23,046,917</u>
Net Investment in Capital Assets	<u><u>\$ 42,219,543</u></u>

**CULLEN & DANOWSKI, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the North Shore Central School District (District), as of and for the year ended June 30, 2016, 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 28, 2016.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the North Shore Central School District in a separate letter dated October 28, 2016.

## **Purpose of this Report**

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

*Cullen & Danowski, LLP*

October 28, 2016