



Great Neck Public Schools

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS
June 30, 2018

GREAT NECK UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Great Neck Union Free School District
Great Neck, 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 Great Neck Union Free School District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Changes in Accounting Principles

As described in Note 20 to the financial statements, "Changes in Accounting Principle", the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 15 and 57 through 60, 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 Great Neck Union Free School District's basic financial statements. The other supplementary information on pages 61 through 64 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 30, 2018 on our consideration of the Great Neck Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Great Neck Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Great Neck Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 30, 2018

GREAT NECK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

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

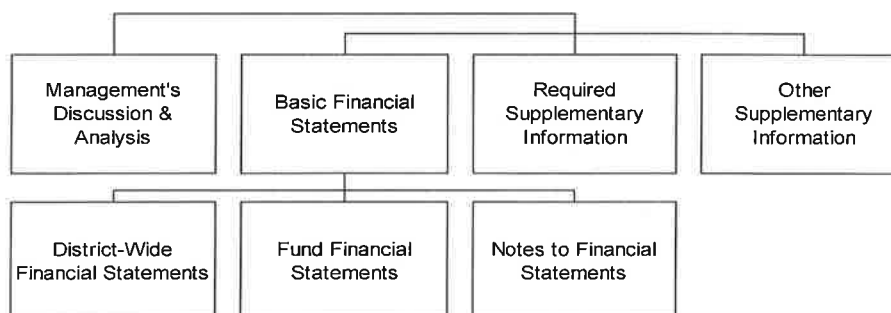
FINANCIAL HIGHLIGHTS

Key financial highlights for year 2018 are as follows:

- On the district-wide financial statements, total net position (deficit) decreased by \$5,611,742 to \$(21,968,603) for the year ended June 30, 2018, compared to a net position (deficit) balance of \$(27,580,345) at June 30, 2017, as restated.
- The District adopted Government Accounting Standards Board (GASB) Statement No. 75 which required an adjustment to the opening net position. See Note 20 for further detail.
- On the district-wide financial statements, the District's expenses for the year totaled \$224,917,966. Of this amount, \$13,052,144 was offset by program charges for services and operating grants. General revenues of \$217,477,564 amount to 94% of total revenues.
- The general fund's total fund balance, as reflected on the Balance Sheet in the fund financial statements, increased by \$9,672,111 to \$50,431,119.
- On the Balance Sheet, the general fund's unassigned fund balance at year end was \$11,785,696. This represents an increase of \$2,853,587 from the prior year.
- On May 16, 2017, the voters approved proposition #2, the bond proposition which approved total project costs of \$77,847,217. An initial transfer of \$9,507,955 from the general fund unassigned fund balance to the capital projects fund was approved for the year ended June 30, 2017. The remaining costs of the project of \$68,339,262 will be financed by bonds. The District has expended \$622,580 on these projects in the current year ended June 30, 2018. No debt has been issued as of June 30, 2018.

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.



GREAT NECK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The chart below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

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

GREAT NECK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Financial Statements

The district-wide financial statements are organized to provide an understanding of the 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, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between the District's assets and deferred outflows of resources and the District's liabilities and deferred inflows of resources is 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. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

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 that they become measurable, funded through available resources and payable within a current period.

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

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements.

GREAT NECK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Condensed Statement of Net Position

The District's total net position increased by \$5,611,742 between fiscal year 2017 and 2018. A summary of the District's Statements of Net Position follows.

	6/30/2018	As Restated 6/30/2017 *	Change	Percent Change
Current and other assets	\$ 100,995,787	\$ 94,798,336	\$ 6,197,451	6.5%
Capital assets, net	96,621,279	89,192,025	7,429,254	8.3%
Net pension asset - proportionate share	4,585,127	-0-	4,585,127	100.0%
Total assets	202,202,193	183,990,361	18,211,832	9.9%
Deferred outflows of resources	69,148,521	70,344,231	(1,195,710)	-1.7%
Other liabilities	20,810,310	18,243,345	2,566,965	14.1%
Non-current liabilities	249,512,547	246,049,943	3,462,604	1.4%
Net pension liability - proportionate share	2,343,682	13,741,207	(11,397,525)	-82.9%
Total liabilities	272,666,539	278,034,495	(5,367,956)	-1.9%
Deferred inflows of resources	20,652,778	3,880,442	16,772,336	432.2%
Net position (deficit):				
Net investment in capital assets	88,068,081	77,746,710	10,321,371	13.3%
Restricted	49,090,642	48,828,624	262,018	0.5%
Unrestricted (Deficit)	(159,127,326)	(154,155,679)	(4,971,647)	-3.2%
Total net position (deficit)	\$ (21,968,603)	\$ (27,580,345)	\$ 5,611,742	-20.3%

* Certain amounts were restated to reflect the implementation of GASB No. 75 and the related OPEB liability at 6/30/2017.

GREAT NECK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Condensed Statement of Net Position (continued)

Current and other assets increased by \$6,197,451, as compared to the prior year. The increase is primarily related to an increase in the cash balance and amounts due from other governments as compared to prior year.

Capital assets, net of depreciation, increased by \$7,429,254, as compared to the prior year. This increase was the result of capital asset additions exceeding depreciation expense and a loss on disposal during the year. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

Net pension asset – proportionate share increased by \$4,585,127 in the current year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset.

Deferred outflows of resources decreased by \$1,195,710 as compared to the prior year. The deferred outflows of resources represents contributions to the state retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Other liabilities increased by \$2,566,965, as compared to the prior year. This increase was primarily related to an increase in the accounts payable and accrued liabilities as compared to prior year, offset by a reductions in amounts due to the Teachers' Retirement System ("TRS").

Non-current liabilities increased by \$3,462,604 as compared to the prior year. This increase was primarily in connection with the current year increases in the liabilities for other postemployment benefits and workers' compensation claims payable offset by principal paid on bonds and installment purchase debt during the year.

Net pension liability – proportionate share decreased by \$11,397,525 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's ("ERS") collective net pension liability.

Deferred inflows of resources represents actuarial adjustments at the pension plan level that will be amortized in future years. This amount increased by \$16,772,336 as compared to the prior year.

The net investment in capital assets relates to the investment in capital assets at cost such as - land, construction-in-progress, buildings and improvements, site improvements, and furniture and equipment, net of depreciation and related debt. This increased over the prior year by \$10,321,371 due to capital acquisitions, net of current year's depreciation, plus current year bond principal, installment purchase debt and capital lease payments.

Restricted net position at June 30, 2018 is \$49,090,642 and is comprised of the District's reserves as seen in the fund balance section on the Balance Sheet – Governmental Funds. The restricted balance increased by \$262,018 primarily due to the funding of reserves during the year, net of the use of reserves.

GREAT NECK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Condensed Statement of Net Position (continued)

The unrestricted net deficit of \$(159,127,326) 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 total OPEB liability. This deficit increased over the prior year by \$4,971,647 primarily as a result of the increase of the unfunded addition to the total OPEB liability. The prior year deficit was \$10,063,641 before the restatement of \$144,092,038 for the adoption of GASB Statement No. 75.

The District's total net position increased by \$5,611,742 or 4.82% to \$(21,968,603) for the year ended June 30, 2018, compared to \$(27,580,345), at June 30, 2017.

Changes in Net Position from Operating Results

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. A summary of this statement for the years ended June 30, 2018 and 2017 is as follows:

	6/30/2018	6/30/2017	Increase (Decrease)	Percent Change
Revenues				
Program revenues:				
Charges for services	\$ 7,503,758	\$ 7,325,839	\$ 177,919	2.4%
Operating grants	5,548,386	5,448,580	99,806	1.8%
Capital grants	-0-	849,570	(849,570)	100.0%
General revenues:				
Real property taxes	191,629,919	188,629,700	3,000,219	1.6%
Other tax items and STAR	15,219,133	15,130,066	89,067	0.6%
State aid	8,798,247	8,763,048	35,199	0.4%
Use of money and property	1,172,760	566,357	606,403	107.1%
Other	657,505	1,229,122	(571,617)	-46.5%
Total revenues	<u>230,529,708</u>	<u>227,942,282</u>	<u>2,587,426</u>	<u>1.1%</u>
Expenses				
General support	32,343,430	32,196,090	147,340	0.5%
Instruction	175,491,035	168,107,157	7,383,878	4.4%
Pupil transportation	13,246,576	13,138,962	107,614	0.8%
Community services	1,150,336	961,746	188,590	19.6%
Debt services - interest	286,293	402,006	(115,713)	-28.8%
School food service program	2,400,296	2,380,762	19,534	0.8%
Total expenses	<u>224,917,966</u>	<u>217,186,723</u>	<u>7,731,243</u>	<u>3.6%</u>
Increase in net position	<u>5,611,742</u>	<u>\$ 10,755,559</u>	<u>\$ (5,143,817)</u>	<u>-47.8%</u>
Net position - beginning, as reported	116,511,693			
Change in accounting principle (See Note 20)	<u>(144,092,038)</u>			
Net position (deficit) - beginning as restated	<u>(27,580,345)</u>			
Net position (deficit) - ending	<u>\$ (21,968,603)</u>			

**GREAT NECK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018**

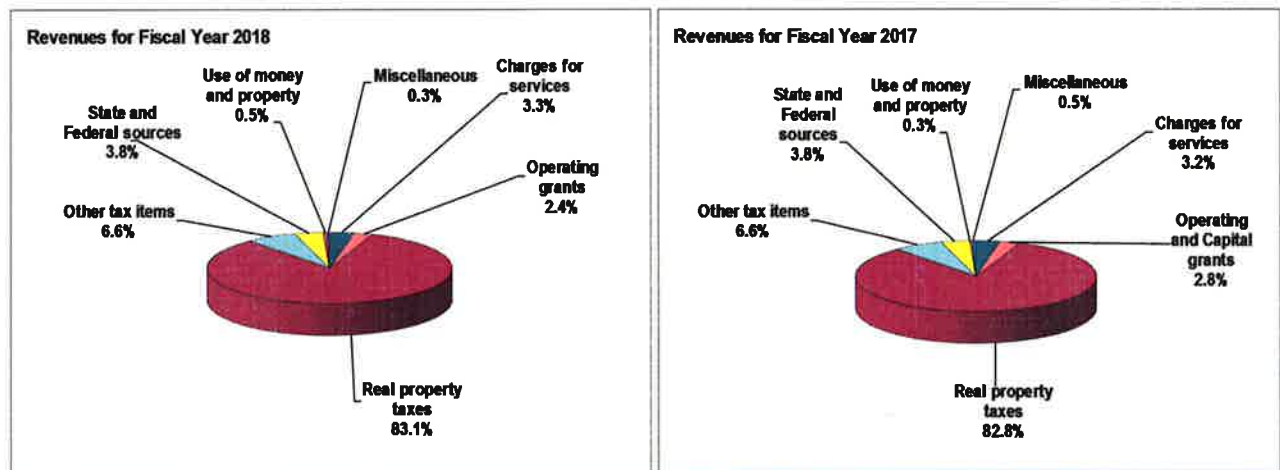
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in Net Position from Operating Results (continued)

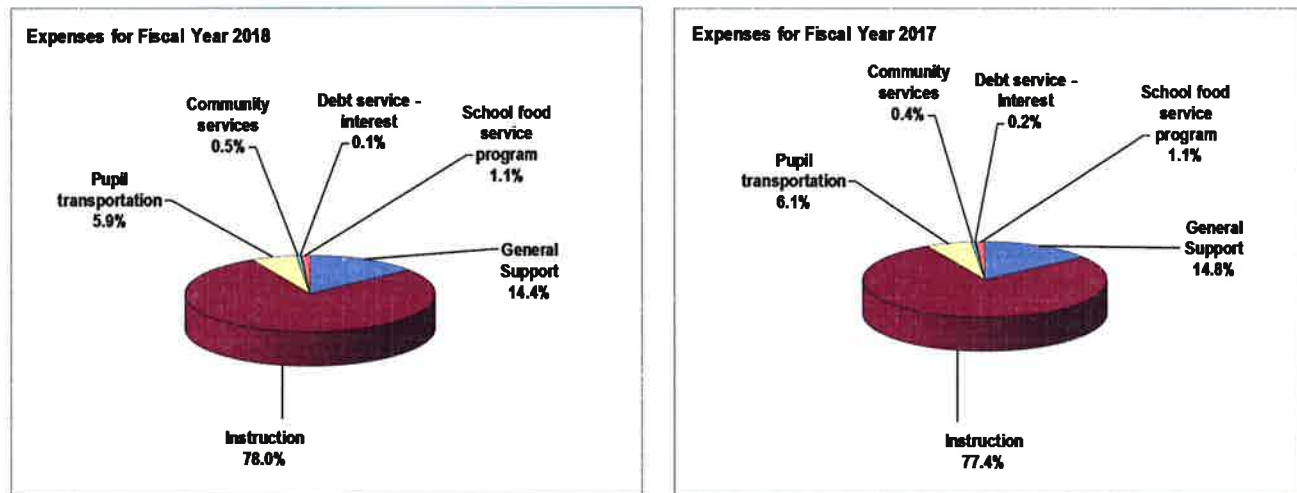
The District's revenues increased by \$2,587,426 or 1.1% for the year ended June 30, 2018. The main area of increase was in real property taxes and use of money and property as compared to the prior year.

The District's expenses increased by \$7,731,243 or 3.6% for the year ended June 30, 2018. The increase was primarily the result of the increases in the costs of instruction as a result of salary increase and increase in benefit costs.

As indicated on the pie charts below, real property taxes is the largest component of revenues recognized, representing 83.1% of the total revenues for the year ended June 30, 2018. Instruction is the largest category of expenses incurred at 78.0% of the total expenses for the year ended June 30, 2018. A graphic display of the distribution of revenues for the two years follows:



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



GREAT NECK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$80,090,037, which is an increase of \$3,431,633 over the prior year. A summary of the change in fund balances by fund is as follows:

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Increase (Decrease)</u>
General Fund			
Restricted:			
Debt	\$ 152,813	\$ 151,826	\$ 987
Unemployment Insurance	1,435,325	1,444,152	(8,827)
Employee Benefit			
Accrued Liability Reserve	7,843,919	6,799,721	1,044,198
Workers' Compensation	10,028,212	8,425,061	1,603,151
Retirement Contribution	17,665,307	13,540,729	4,124,578
Assigned	1,519,847	1,465,410	54,437
Unassigned	11,785,696	8,932,109	2,853,587
	<u>50,431,119</u>	<u>40,759,008</u>	<u>9,672,111</u>
School Food Service Fund			
Nonspendable:			
Inventory	80,042	90,311	(10,269)
Assigned	1,565,308	1,396,471	168,837
	<u>1,645,350</u>	<u>1,486,782</u>	<u>158,568</u>
Debt Service Fund			
Restricted:			
Debt	19,539	19,485	54
Capital Projects Fund			
Restricted:			
Capital	11,945,527	18,447,650	(6,502,123)
Assigned	16,048,502	15,945,479	103,023
	<u>27,994,029</u>	<u>34,393,129</u>	<u>(6,399,100)</u>
Total Fund Balances	<u>\$ 80,090,037</u>	<u>\$ 76,658,404</u>	<u>\$ 3,431,633</u>

General Fund

The general fund - fund balance increased by \$9,672,111 due to revenues in excess of expenditures which provided for funding of the reserves for retirement contribution, workers' compensation and employee benefit accrued liability. Actual revenues earned were higher for property taxes and use of money and property than in the prior year, and total expenditures, exclusive of other financing uses, were higher than the prior year by approximately \$4,650,000.

GREAT NECK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (continued)

School Food Service Fund

The school food service fund - fund balance increased by \$158,568 primarily as a result of an increase in sales.

Debt Service Fund

The debt service fund - fund balance increased by \$54. The increase is related to interest earnings.

Capital Projects Fund

The capital projects fund - fund balance decreased by \$6,399,100. The original budget provided for transfers of \$4,216,000 from the general fund to fund capital projects. The District received e-rate reimbursements and insurance proceeds totaling \$189,422. Expenditures were made for several projects totaling \$10,752,587. The capital projects fund also transferred \$51,935 back to the general fund, the balance remaining from completed projects.

General Fund Budgetary Highlights

2017 -18 Budget

The District's general fund adopted budget for the year ended June 30, 2018, was \$223,311,165. This amount was increased by encumbrances carried forward from the prior year in the amount of \$775,410, and the approval of various budget adjustment increases of \$58,059 for a total final budget of \$224,144,634.

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. 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	\$ 8,932,109
Revenues Over Budget	1,806,530
Expenditures and Encumbrances Under Budget	10,006,515
Unused Appropriated Reserves	(72,108)
Transfer to Reserves (Restricted)	(8,197,350)
Assigned - Appropriated for 2018-19 Budget	<u>(690,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 11,785,696</u></u>

GREAT NECK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights (continued)

Opening, Unassigned Fund Balance

The \$8,932,109 shown in the table on page 11 is the portion of the District's June 30, 2017 fund balance that was reported as unassigned. This was 4.00% of the District's 2017-18 approved operating budget of \$223,311,165.

Revenues Over Budget

The 2017-18 final budget for revenues and transfers was \$221,173,853. Actual revenues and transfers received for the year were \$222,980,383. The excess of actual revenues and transfers over estimated or budgeted revenues amounted to \$1,806,530. The District recognized revenues in excess of that anticipated in the following areas: real property taxes, other tax items- STAR reimbursement and PILOT revenue, charges for services - tuition for services rendered and interest earnings. Revenues over budget contribute directly to the change to the unassigned portion of the general fund - fund balance from June 30, 2017 to June 30, 2018.

Expenditures and Encumbrances Under Budget

The 2017-18 final budget for expenditures and transfers, including prior year open encumbrances and budget revisions amounted to \$224,144,634. Actual expenditures and transfers as of June 30, 2018 were \$213,308,272. Outstanding encumbrances as of June 30, 2018 were \$829,847. Combined, the expenditures plus encumbrances for 2017-18 were \$214,138,119. The final budget was under-expended by \$10,006,515. Budget categories which contributed significantly to this were as follows: central services - the District expended less on utility and fuel costs; teaching regular school - expenditures for salaries were less than anticipated; pupil transportation - expenditures for transportation were less than anticipated; and employee benefits - actual increases in medical insurance costs, workers' compensation costs and retirement system costs were less than anticipated. Expenditures and encumbrances under budget contribute directly to the change to the unassigned portion of the general fund - fund balance from June 30, 2017 to June 30, 2018.

Unused Appropriated Reserves

In the 2017-18 budget \$1,505,371 of reserves were appropriated to reduce the tax levy. Due to lower than budgeted expenditures, \$72,108 of these reserves were not needed and, therefore, were returned to the reserve for future use.

Transfer to Reserves (Restricted)

Amounts transferred from budget lines within the general fund operations into required reserves such as the unemployment insurance reserve, the employee benefit accrued liability reserve, workers' compensation reserve and the retirement contribution reserve do not affect the combined non-spendable, restricted, assigned and unassigned 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 portion of the fund balance by the amount of the transfer.

GREAT NECK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights (continued)

Transfer to Reserves (Restricted) (continued)

The \$8,197,350 in the table on page 11 reflects the net interest transferred into the reserves of \$197,350, plus transfers of \$5,000,000 to the retirement contribution reserve, \$1,000,000 to the employee benefit accrued liability reserve and \$2,000,000 to the workers' compensation reserve.

Assigned - Appropriated Fund Balance

The District has chosen to use \$690,000 of its available June 30, 2018 fund balance to partially fund its 2018-19 approved operating budget.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the previously presented table, the District will begin the 2018-19 fiscal year with an unassigned fund balance of \$11,785,696. This is an increase of \$2,853,587, as compared to the prior year. This was 5.13% of the District's 2018-19 approved operating budget of \$229,845,028. The District's unassigned fund balance was 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 has plans to utilize the unassigned fund balance in excess of the 4% fund balance for future capital projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had invested in a broad range of capital assets, including land, construction-in-progress, buildings and improvements, site improvements and furniture and equipment. The net increase in capital assets is due to capital additions in excess of depreciation for the year ended June 30, 2018. A summary of the District's capital assets, net of depreciation, at June 30, 2018 and 2017 is as follows:

Category	6/30/2018	6/30/2017	% Change
Land	\$ 2,798,112	\$ 2,798,112	0.0%
Construction-in-progress	10,344,316	5,695,174	81.6%
Building and improvements	60,048,086	59,277,353	1.3%
Site improvements	12,831,400	11,998,012	6.9%
Furniture and equipment	10,599,365	9,423,374	12.5%
Totals	<u>\$ 96,621,279</u>	<u>\$ 89,192,025</u>	8.3%

Capital additions for the year ended June 30, 2018 were \$12,258,440. Depreciation expense for the year was \$4,787,852. Loss on disposition of assets for the year was \$41,334.

GREAT NECK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration

A summary of the long-term debt at June 30, 2018 and 2017 is as follows:

Category	6/30/2018	6/30/2017	% Change
General obligation bonds	\$ 2,134,178	\$ 4,168,358	-48.8%
Capital lease payable	684,145	845,140	-19.0%
Installment purchase debt	5,734,875	6,431,817	-10.8%
Other postemployment benefits payable	221,272,880	216,227,799	2.3%
Compensated absences	14,776,467	15,444,544	-4.3%
Workers' compensation claims payable	4,910,002	2,932,285	67.4%
Net pension liability - proportionate share	2,343,682	13,741,207	-82.9%
Totals	\$ 251,856,229	\$ 259,791,150	-3.1%

At June 30, 2018, the District had total bonds payable (inclusive of unamortized premiums) of \$2,134,178. The decrease in outstanding debt represents scheduled principal payments.

The District entered into new equipment leases totaling \$323,400 during the year ended June 30, 2018. The decrease in capital lease payable represents the scheduled principal payments less the new leases.

At June 30, 2018, the District had total installment purchase debt payable of \$5,734,875. The decrease in total installment purchase debt represents scheduled principal payments.

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aaa. The District's total outstanding indebtedness currently does not exceed its debt limit, which is defined as 10% of the full valuation of the taxable real property within the District.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 15, 2018, for the year ending June 30, 2019, is \$229,845,028. This is an increase of \$6,533,863 or 2.93% over the previous year's budget. The increase is principally in the instructional and employee benefit areas of the budget.

The District's adopted budget reflects non-property tax revenues at an increase of \$1,394,062 from the current year's budget. The assigned - appropriated fund balance applied to the 2018-19 budget to reduce taxes in the amount of \$690,000 is unchanged as compared to current year. The District also appropriated \$1,638,637 of restricted fund balance to be applied to the June 30, 2019 budget, which is an increase of \$133,266. The adopted budget reflects an increase in property tax revenues of 2.52%.

New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities and most school districts. For fiscal years beginning in 2012, no school district is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however there are permitted exceptions and adjustments. School districts can exceed the tax levy limit only by a 60% favorable vote by District's budget voters. The 2.52% increase in the property tax levy is in compliance with Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions.

GREAT NECK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

New York State provides a "Property Tax Relief Credit" to eligible taxpayers for the 2016-17 through 2019-20 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, was owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check in the amount of \$130 in the first year. In subsequent years, the amount of the credit is a function of the basic STAR savings and the taxpayer's income.

The property tax credit program provides an incentive for the District to be tax cap compliant.

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:

Mr. John Powell
Assistant Superintendent for Business
Great Neck Union Free School District
Phipps Administration Building
345 Lakeville Road
Great Neck, New York 11020

GREAT NECK UNION FREE SCHOOL DISTRICT**STATEMENT OF NET POSITION**

June 30, 2018

ASSETS

Cash	
Unrestricted	\$ 41,089,059
Restricted	49,090,642
Receivables	
State and Federal aid	1,977,723
Due from other governments	5,005,076
Due from fiduciary funds	217,099
Taxes	3,139,136
Other	397,010
Inventories	80,042
	<hr/>
Total Current Assets	100,995,787
	<hr/>
Non-depreciable capital assets	13,142,428
Depreciable capital assets, net of depreciation	83,478,851
Net pension asset-proportionate share	4,585,127
	<hr/>
Total Non-Current Assets	101,206,406
	<hr/>
Total Assets	202,202,193

DEFERRED OUTFLOWS OF RESOURCES

Pensions	69,148,521
	<hr/>
Total Deferred Outflows of Resources	69,148,521

LIABILITIES

Accounts payable	5,570,710
Accrued liabilities	1,930,078
Due to fiduciary funds	80
Due to other governments	187,472
Due to teachers' retirement system	10,224,531
Due to employees' retirement system	844,847
Unearned revenue	1,995,530
Accrued interest	57,062
Non-current liabilities	
Due and payable within one year:	
Bonds payable, inclusive of premiums	2,134,178
Capital leases payable	373,405
Installment purchase debt payable	725,125
Compensated absences payable	738,823
Workers' compensation claims payable	245,500
Due and payable after one year:	
Capital leases payable	310,740
Installment purchase debt payable	5,009,750
Other postemployment benefits payable	221,272,880
Compensated absences payable	14,037,644
Workers' compensation claims payable	4,664,502
Net pension liability - proportionate share	2,343,682
	<hr/>
Total Liabilities	272,666,539

DEFERRED INFLOWS OF RESOURCES

Pensions	20,652,778
	<hr/>
Total Deferred Inflows of Resources	20,652,778

NET POSITION (DEFICIT)

Net Investment in capital assets	88,068,081
Restricted	49,090,642
Unrestricted (Deficit)	(159,127,326)
	<hr/>
Total Net Position (Deficit)	\$ (21,968,603)

See Notes to Financial Statements.

GREAT NECK UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants	Changes in
				Net Position
FUNCTIONS/PROGRAMS				
General support	\$ 32,343,430			\$ (32,343,430)
Instruction	175,491,035	\$ 5,790,123	\$ 4,830,762	(164,870,150)
Pupil transportation	13,246,576			(13,246,576)
Community service	1,150,336			(1,150,336)
Debt service - interest	286,293			(286,293)
School food service program	2,400,296	1,713,635	717,624	30,963
Total Functions and Programs	<u>\$ 224,917,966</u>	<u>\$ 7,503,758</u>	<u>\$ 5,548,386</u>	<u>(211,865,822)</u>
GENERAL REVENUES				
Real property taxes				191,629,919
Other tax items and STAR				15,219,133
Use of money and property				1,172,760
Sale of property and compensation for loss				180,163
State aid				8,798,247
Miscellaneous				<u>477,342</u>
Total General Revenues				<u>217,477,564</u>
Change in Net Position				<u>5,611,742</u>
Total Net Position - Beginning of Year				116,511,693
Cumulative Effect of Change in Accounting Principle				<u>(144,092,038)</u>
Total Net Position (Deficit) - Beginning of Year, as restated				<u>(27,580,345)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (21,968,603)</u>

See Notes to Financial Statements.

GREAT NECK UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 16,763,154	\$ 3,441,817	\$ 1,849,999		\$ 19,034,089	\$ 41,089,059
Restricted	37,125,576			\$ 19,539	11,945,527	49,090,642
Receivables						
State and federal aid	393,596	1,549,086	35,041			1,977,723
Due from other governments	5,005,076					5,005,076
Due from other funds	6,196,254					6,196,254
Due from fiduciary funds	217,099					217,099
Taxes	3,139,136					3,139,136
Other	311,350	75,053	10,607			397,010
Inventories			80,042			80,042
Total Assets	<u>\$ 69,151,241</u>	<u>\$ 5,065,956</u>	<u>\$ 1,975,689</u>	<u>\$ 19,539</u>	<u>\$ 30,979,616</u>	<u>\$ 107,192,041</u>
LIABILITIES						
Accounts payable	\$ 4,066,830	\$ 224,799	\$ 56,918		\$ 1,222,163	\$ 5,570,710
Accrued liabilities	1,852,231	26,720	51,127			1,930,078
Due to other funds		4,366,861	65,969		1,763,424	6,196,254
Due to fiduciary funds			80			80
Due to other governments	187,472					187,472
Due to teachers' retirement system	10,224,531					10,224,531
Due to employees' retirement system	844,847					844,847
Unearned revenue	1,391,709	447,576	156,245			1,995,530
Total Liabilities	<u>18,567,620</u>	<u>5,065,956</u>	<u>330,339</u>	<u>\$ -0-</u>	<u>2,985,587</u>	<u>26,949,502</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	152,502					152,502
Total Deferred Inflows of Resources	<u>152,502</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>152,502</u>
FUND BALANCES						
Non-spendable						
Inventories			80,042			80,042
Restricted:						
Debt Service	152,813			19,539		172,352
Capital					11,945,527	11,945,527
Unemployment Insurance	1,435,325					1,435,325
Employee Benefit Accrued Liability	7,843,919					7,843,919
Workers' Compensation	10,028,212					10,028,212
Retirement Contribution	17,665,307					17,665,307
Assigned	1,519,847		1,565,308		16,048,502	19,133,657
Unassigned	11,785,696					11,785,696
Total Fund Balances	<u>50,431,119</u>	<u>-0-</u>	<u>1,645,350</u>	<u>19,539</u>	<u>27,994,029</u>	<u>80,090,037</u>
Total Liabilities and Fund Balances	<u>\$ 69,151,241</u>	<u>\$ 5,065,956</u>	<u>\$ 1,975,689</u>	<u>\$ 19,539</u>	<u>\$ 30,979,616</u>	<u>\$ 107,192,041</u>

See Notes to Financial Statements.

GREAT NECK UNION FREE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2018

Total Governmental Fund Balances	\$	80,090,037
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Amounts reported for governmental activities in
the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

Capital assets - non-depreciable	\$ 13,142,428	
Capital assets - depreciable	161,750,118	
Accumulated depreciation	<u>(78,271,267)</u>	96,621,279

Current and long-term liabilities are not due and payable in
the current period and, therefore, are not reported in the funds:

Accrued interest payable	57,062	
General obligation bonds payable	2,060,000	
Unamortized bond premium	74,178	
Capital lease payable	684,145	
Installment purchase debt	5,734,875	
Other postemployment benefits payable	221,272,880	
Compensated absences payable	14,776,467	
Workers' compensation claims payable	<u>4,910,002</u>	(249,569,609)

Revenue that was deferred on the fund statements because it
does not meet the availability criteria under the modified
accrual basis of accounting is not deferred in the statement
of net position.

152,502

Certain amounts reported for the proportionate share of the District's
pension asset and/or deferred outflows are not considered current
available resources and are therefore not reported in the funds.

Net pension asset-proportionate share	4,585,127	
Pensions - deferred outflows	<u>69,148,521</u>	73,733,648

Certain amounts reported for the proportionate share of the District's
pension liability and/or deferred inflows are not due and payable in
the current period and accordingly are not reported in the funds.

Net pension liability-proportionate share	2,343,682	
Pensions - deferred inflows	<u>20,652,778</u>	(22,996,460)

Net Position of Governmental Activities	\$	<u>(21,968,603)</u>
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See Notes to Financial Statements.

GREAT NECK UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 191,629,919					\$ 191,629,919
Other tax items	15,219,133					15,219,133
Charges for services	5,790,123					5,790,123
Use of money and property	1,153,709		\$ 18,997	\$ 54		1,172,760
Sale of property and compensation for loss	41,698				\$ 138,465	180,163
State aid	8,798,247	\$ 2,047,486	33,427			10,879,160
Sales - school food service			1,687,142			1,687,142
Miscellaneous	273,883	354,445	26,493		50,957	705,778
Federal aid	21,736	2,407,095	564,065			2,992,896
Surplus food			120,132			120,132
Total Revenues	<u>222,928,448</u>	<u>4,809,026</u>	<u>2,450,256</u>	<u>54</u>	<u>189,422</u>	<u>230,377,206</u>
EXPENDITURES						
General support	24,672,844					24,672,844
Instruction	115,921,740	6,421,267				122,343,007
Pupil transportation	12,388,666					12,388,666
Community service	854,485					854,485
Employee benefits	50,076,625					50,076,625
Debt service:						
Principal	1,181,337			1,960,000		3,141,337
Interest	254,824			152,000		406,824
Cost of sales			2,309,198			2,309,198
Capital outlay					10,752,587	10,752,587
Total Expenditures	<u>205,350,521</u>	<u>6,421,267</u>	<u>2,309,198</u>	<u>2,112,000</u>	<u>10,752,587</u>	<u>226,945,573</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>17,577,927</u>	<u>(1,612,241)</u>	<u>141,058</u>	<u>(2,111,946)</u>	<u>(10,563,165)</u>	<u>3,431,633</u>
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in	51,935	1,612,241	17,510	2,112,000	4,216,000	8,009,686
Operating transfers (out)	(7,957,751)				(51,935)	(8,009,686)
Total Other Sources (Uses)	<u>(7,905,816)</u>	<u>1,612,241</u>	<u>17,510</u>	<u>2,112,000</u>	<u>4,164,065</u>	<u>-0-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>9,672,111</u>	<u>-0-</u>	<u>158,568</u>	<u>54</u>	<u>(6,399,100)</u>	<u>3,431,633</u>
Fund Balance - Beginning of Year	<u>40,759,008</u>	<u>-0-</u>	<u>1,486,782</u>	<u>19,485</u>	<u>34,393,129</u>	<u>76,658,404</u>
Fund Balance - End of Year	<u>\$ 50,431,119</u>	<u>\$ -0-</u>	<u>\$ 1,645,350</u>	<u>\$ 19,539</u>	<u>\$ 27,994,029</u>	<u>\$ 80,090,037</u>

See Notes to Financial Statements.

GREAT NECK UNION FREE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Net Changes in Fund Balances - Total Governmental Funds \$ 3,431,633

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

Long-term revenue and expense differences

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

Compensated absences payable 668,077

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

Workers' compensation payable (1,977,717)

In the statement of activities, certain revenues are measured by the amounts earned during the year. In governmental funds, however, revenues for these items are measured by the amount of financial resources provided.

152,502

Pension differences

(Increases)/decreases in the proportionate share of net pension asset/liabilities and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Teachers' Retirement System	\$ (2,106,871)	
Employees' Retirement System	121,477	(1,985,394)

Other postemployment benefit (OPEB) differences

Increases in the District's total OPEB liability do not provide for or require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(5,045,081)

Capital related differences

Governmental funds report capital outlays as expenditures while in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital Outlay	12,258,440	
Depreciation expense	(4,787,852)	7,470,588

The net effect of various miscellaneous transactions involving capital assets related to sales, trade-ins and disposals is to decrease net position.

(41,334)

Long-term debt transaction differences

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

Interest expense	46,351	
Amortization of premiums on obligations	74,180	120,531

Repayment of bond principal, capital leases and installment purchase debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Proceeds from the issuance of debt and capital leases provides current financial resources to the governmental funds, but incurring debt increases long-term liabilities in the Statement of Net Position.

Repayment bond principal	1,960,000	
Proceeds from capital lease	(323,400)	
Repayment capital lease principal	484,395	
Repayment installment purchase debt principal	696,942	2,817,937

Change in Net Position of Governmental Activities \$ 5,611,742

See Notes to Financial Statements.

GREAT NECK UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	<u>Agency</u>	<u>Private Purpose Trusts</u>
ASSETS		
Cash		
Unrestricted	\$ 798,762	
Restricted		\$ 281,133
Investments		259,843
Accounts receivable	<u>38,135</u>	
		<u> </u>
Total Assets	<u><u>\$ 836,897</u></u>	<u><u>540,976</u></u>
LIABILITIES		
Due to governmental funds	217,019	
Extraclassroom activity balances	475,424	
Other liabilities	<u>144,454</u>	
		<u> </u>
Total Liabilities	<u><u>\$ 836,897</u></u>	<u><u>-0-</u></u>
NET POSITION		
Net position - restricted - permanent		300,960
Net position - restricted - temporary		<u>240,016</u>
		<u><u>\$ 540,976</u></u>

See Notes to Financial Statements.

GREAT NECK UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2018

	Private Purpose Trusts
	<u> </u>
ADDITIONS	
Gifts and contributions	\$ 173,329
Investment earnings	<u>1,447</u>
	<u> </u>
Total Additions	<u>174,776</u>
	<u> </u>
DEDUCTIONS	
Scholarships and awards	58,923
Unrealized loss on investments	<u>8,281</u>
	<u> </u>
Total Deductions	<u>67,204</u>
	<u> </u>
Change in Net Position	107,572
	<u> </u>
Net Position - Beginning of Year	<u>433,404</u>
	<u> </u>
Net Position - End of Year	<u><u>\$ 540,976</u></u>

See Notes to Financial Statements.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Great Neck Union Free School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for governmental units. Those principles are prescribed by the Governmental Accounting Standards Board ("GASB"), which is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as described below:

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 five 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 the authority to make decisions, appoint management, and are ultimately responsible for all fiscal matters.

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 is a brief description of certain entities included in the District's reporting entity.

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 - Agency Fund. Separate audited financial statements of the extraclassroom activity funds are available at the District's business office.

B. Joint Venture

The District is one of many participating school districts in the Board of Cooperative Educational Services of Nassau, ("BOCES"). 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. There is no authority or process by which a school district can terminate its status as a BOCES participant.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Joint Venture (continued)

BOCES are organized under §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their participating member boards in accordance with provisions of §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under § 119-n(a) of the General Municipal Law ("GML"). A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each participating district's share of administrative and capital cost is determined by resident public school district enrollment as defined in New York State Education Law, §1950(4)(b)(7). In addition, participating 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 financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if any.

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 category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The District's financial statements reflect the following major fund categories:

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements (continued)

Governmental Funds:

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

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

School Food Service Fund – This fund is used to account for the activities of the school food service programs.

Debt Service Fund – This fund accounts for the accumulation of resources that are restricted for the payment of principal and interest on general long-term debt obligations.

Capital Projects Fund – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition, construction, or major repair of capital facilities.

Fiduciary Funds – These 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:

Private Purpose Trust Funds - These funds are used to account for trust arrangements in which scholarship benefits are provided for students and in which net position-restricted-permanent principals are held in perpetuity, and income generated is used for annual third-party awards and scholarships for students. Established criteria govern the use of the funds. Members of the District or representatives of the donors may serve on committees to oversee benefits.

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

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting and Measurement Focus

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 on the accrual basis of accounting using the economic resources measurement focus. 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 and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 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, claims and judgments, 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 and acquisitions under capital leases are reported as other financing sources.

E. Real Property Taxes

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

Uncollected real property taxes are the responsibility of the County of Nassau. As a result, the District is assured of receiving 100% of its property tax levy.

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.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the transfer of expenditures and revenues 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.

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

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. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of depreciation, other postemployment benefits, workers' compensation liabilities, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

I. Cash and Cash Equivalents/Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the District's investment policies. 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 United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accounts Receivable

Accounts receivable are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Inventories

Inventories of food in the school food service fund are 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. These inventories are accounted for on the consumption method. Under the consumption method, a current asset for inventories 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 inventorable 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 inventories 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 acquisition value at the date of donation.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Site improvements	\$ 5,000	Straight line	50 years
Building improvements	\$ 5,000	Straight line	50 years
Furniture and equipment	\$ 1,500	Straight line	5-20 years

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. In this category, the District reports items that are related to pensions that consist of differences between expected and actual experience, changes in assumptions, net differences between projected and actual earnings on pension plan investments, changes in proportion differences between the District's contributions and its proportionate share of contributions, and the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date. See Note 11.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In this category, the District reports items related to pensions that consist of differences between expected and actual experience, net difference between projected and actual earnings on pension plan investments and changes in proportion differences between the District's contributions and its proportionate share of contributions. See Note 11. In addition on the government balance sheet deferred inflows of resources includes unavailable revenues when potential revenues do not meet the availability criteria for recognition in the current period.

N. Unearned Revenue

Unearned revenue arises when resources are received by the District before it has a legal claim to them, as when program monies are received prior to the start of the program. In subsequent periods, when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recognized.

O. 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 be eligible to receive a portion of the value of unused accumulated sick leave. Certain collective bargaining agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

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 required time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

The liability 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 statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

P. Other Benefits

Eligible District employees participate in the New York State Teachers' Retirement System ("TRS") or the New York State and Local Employees' Retirement System ("ERS").

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Other Benefits (continued)

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits for 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 general fund, in the year paid. Other postemployment benefits are measured and disclosed using the accrual basis of accounting in the district-wide financial statements. See Note 13.

Q. Short-Term Debt

The District may issue revenue anticipation notes ("RAN") and tax anticipation notes ("TAN"), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. No RANs or TANs were issued or outstanding during the year ended June 30, 2018.

The District may issue bond anticipation notes ("BAN"), in anticipation of proceeds from the subsequent 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. No BANs were issued or outstanding during the year ended June 30, 2018.

R. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund Statements

In the fund statements, there are four classifications of fund balance:

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form, not available within a year, or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school food service fund of \$80,042.

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Debt Service

The unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of borrowing, and borrowing premiums can be recorded as amounts restricted for debt service. This reserve is accounted for in the general fund and debt service fund.

Capital

According to Education Law §3651, this reserve must be 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. This reserve is accounted for in the capital projects fund.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Equity Classifications (continued)

Restricted (continued)

Unemployment Insurance

The 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 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund.

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, this reserve must be used 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. This reserve is accounted for in the general fund.

Workers' Compensation

According to General Municipal Law §6-j, this reserve must be 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 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the general fund.

Retirement Contribution

The 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 reserve must be accounted for separate and apart from all other funds and a detail report of the operations and condition of the fund must be provided to the Board. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. This reserve is accounted for in the general fund.

Scholarships

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

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Equity Classifications (continued)

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes but are not restricted. Assigned fund balance includes encumbrances reported in the general fund in the amount of \$829,847 and \$690,000 of appropriated fund balance applied to the 2018-19 budget to reduce taxes. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

Unassigned - Includes all other general fund amounts that do not meet the definition of the above three classifications and are deemed to be available for general use by the District. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

The portion of the District's fund balance subject to the NYS Real Property Tax Law §1318 limit exceeded the amount allowable. Actions the District plans to pursue to address this issue includes utilizing the excess for future capital projects.

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, 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.

T. New Accounting Standards

The District has adopted all of the current Statements of the Governmental Accounting Standards Board ("GASB") that are applicable. During the year ended June 30, 2018, The District adopted the following:

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. See Note 20 for the financial statement impact of the implementation of the Statement.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Future Changes in Accounting Standards

The following Statements have been issued by the Governmental Accounting Standards Board (GASB) and are to be implemented in future years:

Statement No. 83, *Certain Asset Retirement Obligations*, the objective of which is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of the new Statement become effective for the District for the year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities*, the objective of which is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of the new Statement become effective for the District for the year ending June 30, 2020.

Statement No. 87, *Leases*, the objective of which is to improve accounting and financial reporting for leases by governments. This Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for financial statements for the year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, the objective of which is to improve the information that is disclosed in notes to the district financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for financial statements for the year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, the objective of which is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for financial statements for the year ending June 30, 2021.

The District will evaluate the impact these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

Due to the differences in the measurement focus and basis of accounting used in the funds 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 focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (continued)

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 additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of five broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "measurable and 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 workers' compensation.

Pension Differences

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus the accrual basis of accounting (whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan).

Other postemployment benefit (OPEB) Differences

Other postemployment benefit (OPEB) differences occur as a result of changes in the District's total OPEB liability and OPEB expense.

Capital Related Differences

Capital related differences include the difference between proceeds for 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.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (continued)

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 on Net Position. In addition, both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

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 lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Contingent expenses funded by grants and donations	\$ <u>58,059</u>
	\$ <u>58,059</u>

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

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 amounts assigned in the general fund's fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

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's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- 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.

None of the Districts' bank balances that were not covered by Federal deposit insurance were exposed to custodial credit risk as described above.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements.

The District has few investments (primarily donated scholarship funds) and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- A. Insured or registered, or investments held by the District or by the District's agent in the District's name, or
- B. Uninsured and unregistered, with the investments held by the financial institution's trust department in the District's name, or
- C. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the District's name.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

Investments at fiscal year-end consisted of:

Scholarship funds recorded in the Private Purpose Trust Fund. The carrying amounts at June 30, 2018 totaled \$259,843, and the unrealized loss for the year was \$8,281. The types of investments held were U.S. Treasury Securities and a sweep account with investments in municipal bonds and they were held by the District's agent in the District's name.

Credit Risk – State law limits investments to those authorized by State statutes. The District has a written investment policy.

Interest-Rate Risk – Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid a potential loss.

Concentration of Credit Risk – Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer.

Investment Pool

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3A, 5-G, §119-0, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total investments of the cooperative as of year-end are \$1,219,485,996 which consisted of \$213,214,286 in repurchase agreements, \$775,228,258 in U.S. Treasury Securities and \$231,043,452 in collateralized bank deposits, with various interest rates and due dates.

Investment pool assets are reported as cash as follows:

<u>Fund</u>	<u>Carrying Amount</u>
General Fund	\$ 1,717
School Food Service Fund	1,509,125
Capital Projects Fund	21,217,328
Private Purpose Trust Fund	151,671
	<u>\$ 22,879,841</u>

The above amounts represent the market value of the investment pool shares. Additional information concerning the cooperative is presented in the annual report of the New York Cooperative Liquid Assets Securities System ("CLASS") which can be found on its website at www.newyorkclass.org.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

5. PARTICIPATION IN BOCES

During the year ended June 30, 2018, the District was billed \$5,182,343 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$751,191. 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 AID

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

General Fund:	
NYS Excess Cost Aid	\$ 393,596
Special Aid Fund:	
Federal and State Grants	1,549,086
School Food Service Fund:	
Federal and State	
School Food Service Reimbursements	<u>35,041</u>
Total Due From State and Federal	<u>\$ 1,977,723</u>

7. DUE FROM OTHER GOVERNMENTS

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

General Fund:	
Due from NYS -medicaid billing	\$ 63,859
Due from BOCES	338,040
Due from Other Districts	1,614,287
Due from Nassau County	<u>2,988,890</u>
Total Due From Other Governments	<u>\$ 5,005,076</u>

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

8. CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Retirements/ Reclassifications	Balance June 30, 2018
Capital assets that are not depreciated:				
Land	\$ 2,798,112			\$ 2,798,112
Construction in progress	5,695,174	\$ 8,494,934	\$ (3,845,792)	10,344,316
Total nondepreciable assets	<u>8,493,286</u>	<u>8,494,934</u>	<u>(3,845,792)</u>	<u>13,142,428</u>
Capital assets that are depreciated:				
Buildings and improvements	114,485,101	3,166,133		117,651,234
Site improvements	15,879,840	1,379,425		17,259,265
Furniture and equipment	26,855,760	3,063,740	(3,079,881)	26,839,619
Total depreciable assets	<u>157,220,701</u>	<u>7,609,298</u>	<u>(3,079,881)</u>	<u>161,750,118</u>
Less accumulated depreciation:				
Buildings and improvements	55,207,748	2,395,400		57,603,148
Site improvements	3,881,828	546,037		4,427,865
Furniture and equipment	17,432,386	1,846,415	(3,038,547)	16,240,254
Total accumulated depreciation	<u>\$ 76,521,962</u>	<u>\$ 4,787,852</u>	<u>\$ (3,038,547)</u>	<u>78,271,267</u>
Total capital assets, net				<u>\$ 96,621,279</u>

Depreciation expense and loss on disposition was charged to governmental functions as follows:

General support	\$ 1,435,197
Instruction	3,135,529
Pupil Transportation	81,863
Community service	2,831
School food service program	91,098
Total governmental activities depreciation expense	<u>\$ 4,746,518</u>

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At June 30, 2018, the District has not recorded any such impairment losses.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

9. INTERFUND TRANSACTIONS

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

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 6,196,254		\$ 51,935	\$ 7,957,751
Special Aid Fund		\$ 4,366,861	1,612,241	
School Food Service Fund		65,969	17,510	
Debt Service Fund			2,112,000	
Capital Projects Fund		1,763,424	4,216,000	51,935
	<u>6,196,254</u>	<u>6,196,254</u>	<u>\$ 8,009,686</u>	<u>\$ 8,009,686</u>
General Fund	217,099			
School Food Service Fund		80		
Fiduciary Fund	80	217,099		
	<u>\$ 6,413,433</u>	<u>\$ 6,413,433</u>		

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

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

All interfund payables are expected to be repaid within one year.

The District typically transfers from the general fund to the special aid fund, debt service fund and the capital projects fund in accordance with the general fund budget. The transfer to the special aid fund was for the District's share of the cost for the summer handicapped, state supported Section 4201 schools, pre-k and integrated programs. The transfer to the school food service fund is for uncollectable receivables. The transfer to the debt service fund was for the repayment of principal and interest on outstanding bond indebtedness. The transfer to the capital projects fund was for district-wide improvements. The transfer to the general fund from the capital projects fund was to move unspent funds from completed projects back to the general fund.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

10. LONG-TERM DEBT

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

	Beginning balance *	Additions	Reductions	Ending balance	Non-current liabilities due and payable within one year	Non-current liabilities due and payable after one year
Governmental activities:						
Long-term debt:						
General obligation bonds	\$ 4,020,000		\$ 1,960,000	\$ 2,060,000	\$ 2,060,000	
Add: Premiums on obligations	148,358		74,180	74,178	74,178	
	<u>4,168,358</u>		<u>2,034,180</u>	<u>2,134,178</u>	<u>2,134,178</u>	
Capital lease payable	845,140	\$ 323,400	484,395	684,145	373,405	310,740
Installment purchase debt (energy performance contract)	6,431,817		696,942	5,734,875	725,125	5,009,750
Total OPEB payable	216,227,799	10,005,403	4,960,322	221,272,880		221,272,880
Compensated absences	15,444,544	350,742	1,018,819	14,776,467	738,823	14,037,644
Workers' compensation claims payable	2,932,285	3,271,877	1,294,160	4,910,002	245,500	4,664,502
Net pension liability - proportionate share	13,741,207		11,397,525	2,343,682		2,343,682
Total non-current liabilities	<u>\$ 259,791,150</u>	<u>\$ 13,951,422</u>	<u>\$ 21,886,343</u>	<u>\$ 251,856,229</u>	<u>\$ 4,217,031</u>	<u>\$ 247,639,198</u>

* Certain amounts were restated to reflect the implementation of GASB No. 75 and the related OPEB liability at 6/30/2017.

The general fund is used to liquidate long-term liabilities such as compensated absences, workers' compensation claims, and other postemployment benefits when they become due.

Existing serial bond obligations:

Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/18
August 2005	July 2018	3.00-5.00%	<u>\$ 2,060,000</u>

The following is a summary of debt service requirements:

	Principal	Interest	Total
Year ended June 30, 2019	<u>\$ 2,060,000</u>	<u>\$ 51,500</u>	<u>\$ 2,111,500</u>
Totals	<u>\$ 2,060,000</u>	<u>\$ 51,500</u>	<u>\$ 2,111,500</u>

The District is amortizing a bond premium on the advanced refunding. The amortization is netted against the bonds payable and is calculated on a straight-line basis over the respective bond term, as applicable. The future net amortization is as follows:

Year ending June 30, 2019	<u>\$ 74,178</u>
Total	<u>\$ 74,178</u>

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

10. LONG-TERM DEBT (continued)

Interest on long-term debt for the year ended June 30, 2018 was comprised of:

Interest paid	\$ 406,824
Less: interest accrued in the prior year	(103,413)
Less: amortization of deferred amounts on refunding	(74,180)
Plus: interest accrued in the current year	57,062
Total interest expense on long-term debt	<u>\$ 286,293</u>

The District has purchased various copier equipment and iPads that are being financed between four to six years at interest rates ranging from 0.00% to 4.00%. The assets and related obligations are accounted for in the district-wide financial statements and are included in the summary for capital assets. See Note 8. The cost of the equipment that was capitalized, which is included in furniture and equipment, is \$2,163,311 and accumulated depreciation as of June 30, 2018 is \$1,124,647.

The following is a summary of capital lease requirements:

	<u>Total</u>
Year ending June 30, 2019	\$ 377,927
2020	232,164
2021	81,807
Total minimum lease payments	691,898
Less amounts representing interest	7,753
	<u>\$ 684,145</u>

The District had purchased various assets during 2007-2008 school year that are being financed over 18 years at an interest rate of 4.003%.

The following is a summary of installment purchase debt obligations:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30, 2019	\$ 725,125	\$ 222,424	\$ 947,549
2020	754,448	193,101	947,549
2021	784,956	162,593	947,549
2022	816,699	130,850	947,549
2023	849,724	97,824	947,548
2024-2025	1,803,923	91,175	1,895,098
Totals	<u>\$ 5,734,875</u>	<u>\$ 897,967</u>	<u>\$ 6,632,842</u>

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

11. PENSION PLANS

A. Pension Obligations

New York State and Local Employees' Retirement System ("ERS") and the New York State Teachers' Retirement ("TRS") (the "System(s)").

B. Plan Descriptions And Benefits Provided

Employees' Retirement System ("ERS")

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

Teachers' Retirement System ("TRS")

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

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

11. PENSION PLANS (continued)

C. Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who contribute 3.0 ERS to 3.5 TRS percent of their salary for their entire length of service. In addition, employees that joined after April 1, 2012 are required to contribute between 3% and 6% depending on their salary through active membership. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

Contributions for the current year were equal to 100 percent of the contributions required, and were as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2018	\$ 3,484,201	\$ 9,553,626

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

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Net pension asset/(liability)	\$ (2,343,682)	\$ 4,585,127
District's portion of the Plan's total net pension asset/(liability)	0.0726173%	0.6032270%
Change in proportion since the prior measurement date	0.0002878	-0.0174300

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

11. PENSION PLANS (continued)

D. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2018, the District's recognized pension expense of \$3,360,845 for ERS and \$11,661,012 TRS. At June 30, 2018, the District's 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	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 835,916	\$ 3,772,433	\$ 690,769	\$ 1,787,688
Changes of assumptions	1,554,055	\$ 46,654,563	-0-	-0-
Net difference between projected and actual earnings on pension plan investments	3,404,013	-0-	\$ 6,719,180	\$ 10,799,301
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,467,267	\$ 1,061,801	\$ 276,467	379,373
District's contributions subsequent to the measurement date	844,847	9,553,626	-0-	-0-
Total	<u>\$ 8,106,098</u>	<u>\$ 61,042,423</u>	<u>\$ 7,686,416</u>	<u>\$ 12,966,362</u>

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

	ERS	TRS
Year ending June 30, 2019	\$ 1,029,165	\$ 1,194,507
2020	772,655	12,476,824
2021	(1,536,393)	8,966,567
2022	(690,592)	2,326,272
2023	-0-	8,940,868
Thereafter	-0-	4,617,397
	<u>\$ (425,165)</u>	<u>\$ 38,522,435</u>

E. 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.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

11. PENSION PLANS (continued)

E. Actuarial Assumptions (continued)

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.0%	7.25%
Salary scale	3.8%	1.90% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.5%
Cost of living adjustment	1.3%	1.5%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

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

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

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

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

11. PENSION PLANS (continued)

F. Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS (the discount rate used by the TRS at the prior measurement date of June 30, 2016 was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. 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.

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

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share Of the net pension asset/(liability)	\$ (17,732,933)	\$ (2,343,682)	\$ 10,675,008
TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share Of the net pension asset/(liability)	\$ (78,988,164)	\$ 4,585,127	\$ 74,573,610

H. Pension Plan Fiduciary Net Position

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

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

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

11. PENSION PLANS (continued)

I. PAYABLES TO THE PENSION PLAN

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$844,847.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS covered wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$10,224,531.

12. OTHER PENSION PLANS

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, 2018, totaled \$278,858 and \$7,507,020, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2018 totaled \$942,966.

13. OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB)

A. Plan Description

The District, established a single-employer defined benefit OPEB plan for its employees. Article 11 of the State Compiled Statutes grants authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB) (continued)

B. Benefits Provided

Medical coverage, including prescription drugs as part of the medical plan, is offered to retirees on a fully insured basis through the New York State Health Insurance Program (NYSHIP, the Empire Plan) and HIP. Retirement is available, if the employee has obtained the age of 55 and completed 5 years of service (10 for the Assistant Superintendent) with Great Neck School District. The District will also reimburse the full premium costs for Medicare part B payments. This contract will be renegotiated at various times in the future. Healthcare benefits for non-union employees are similar to those of union employees. Upon death of a retiree, the District will continue the Medicare part B reimbursement for the non-remarried spouse. Subsidized medical coverage for the non-remarried spouse will only be for three (3) months and then they pay 100% of the cost thereafter.

For retirees, the contribution rate is 50% of premium for single coverage and 65% for dependent coverage.

C. Employees Covered by Benefit Terms

The number of participants as of July 1, 2017, the effective date of the OPEB valuation, is as follows:

	<u>Participants</u>
Active employees	979
Inactive employees or beneficiaries currently receiving benefit payments	<u>788</u>
Total	<u>1,767</u>

For valuation purposes, the 23 active and retirees, utilizing the second medical plan are assumed to be enroll in the NYSHIP plan in retirement.

There have been no significant changes in the number of participants or the type of coverage since that date.

D. Total OPEB Liability

The District's total OPEB liability of \$221,272,880 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017, with update procedures used to rollforward the OPEB liability to the measurement date.

E. Funding Policy

The District currently pays for other postemployment benefits on a pay-as-you-go basis.

F. Actuarial Assumptions and Other Inputs

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 benefit costs between the employer and plan members to that point.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB) (continued)

F. Actuarial Assumptions and Other Inputs (continued)

The total OPEB liability in the July 1, 2017 valuation was determined using the following actuarial assumptions and other inputs:

Salary increases	3.0%
Discount rate	3.5%
Healthcare cost trend rates	8.0% for 2018, decreasing 0.5 percent per year to an ultimate rate of 5.0% in 2025

The discount rate was based on an average of three 20 -year bond indices (e.g. Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of June 30, 2018.

Mortality rates were based on the RP 2014 Healthy Male and Female Tables, as appropriate, with adjustments for mortality improvements based on Scale AA.

The decrement tables used for this valuation are based on the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). The current valuation reflects tables released in 2015 for ERS and TRS.

In the July 1, 2017 actuarial valuation, the liabilities were computed using the entry age normal method, using the level percentage of payroll method on an open basis to amortize the initial unfunded liability. The cost method used in the prior valuation was the projected unit credit method, which was acceptable under GASB No. 45.

Other changes impacting the valuation were due to the implementation of an aging assumption, changes in plan costs and the number of employees. The impact of fees imposed by the Patient Protection and Affordable Care Act (PPACA), based on current legislation was considered in the valuation.

G. Changes in the Total OPEB Liability

The following table shows the components of the District's other postemployment benefits liability:

	Total OPEB Liability
Balance at June 30, 2017	\$ 216,227,799
Changes for the year:	
Service cost	2,524,236
Interest	7,481,167
Benefit payments	<u>(4,960,322)</u>
Net Changes	<u>5,045,081</u>
Balance at June 30, 2018	<u>\$ 221,272,880</u>

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

13. OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB) (continued)

H. Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5%) or 1-percentage-point higher (4.5%) than the current discount rate:

	One Percent Decrease (2.5%)	Current Discount Rate (3.5%)	One Percent Increase (4.5%)
Total OPEB liability	\$ 273,852,295	\$ 221,272,880	\$ 182,812,503

I. Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current healthcare cost trend rates:

	One Percent Decrease (7.0% to 4.0%)	Healthcare Cost Trend Rates (8.0% to 5.0%)	One Percent Increase (9.0% to 6.0%)
Total OPEB liability	\$ 180,304,055	\$ 221,272,880	\$ 281,408,017

J. OPEB Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$10,005,403. At June 30, 2018, the District reported no deferred outflows or inflows of resources, as it was the first year of implementation for GASB No. 75.

14. COMPENSATED ABSENCES

District employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave, subject to certain limitations.

Estimated vacation, sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the Statement of Net Position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of June 30, 2018, the value of the accumulated vacation time and sick leave was \$15,720,758, of which \$944,291 is recorded as accrued liabilities in the general fund.

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

15. RISK MANAGEMENT

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

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 claims that were incurred but not reported ("IBNR") as of year-end. The actuarial assumptions utilized a 3% discount rate.

	2018	2017
Unpaid claims at beginning of year	\$ 2,932,285	\$ 2,838,316
Incurred claims and claim adjustments	3,271,877	999,944
Claim payments	(1,294,160)	(905,975)
Unpaid claims at year end	<u>\$ 4,910,002</u>	<u>\$ 2,932,285</u>

16. FUND BALANCES - ASSIGNED - APPROPRIATED FOR SUBSEQUENT YEAR'S BUDGET

The amount of \$690,000 has been assigned as the amount to be appropriated to reduce taxes for the year ending June 30, 2019.

17. FUND BALANCES - RESTRICTED - APPROPRIATED RESERVES

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

Retirement contributions	\$ 1,265,491
Workers' compensation	59,859
Unemployment insurance	25,000
Employee Benefit Accrued Liability	<u>288,287</u>
	<u>\$ 1,638,637</u>

18. COMMITMENTS AND CONTINGENCIES

A. Grants

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

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

18. COMMITMENTS AND CONTINGENCIES (continued)

B. Litigation

General

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.

C. Operating Leases

The District leases various equipment under operating leases. Total rental expenditures on such leases for the year ended June 30, 2018, were \$257,183. The minimum remaining operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 66,164
2020	24,363
2021	22,725
2022	22,725
2023	1,894
	<u>\$ 137,871</u>

D. Encumbrances

At June 30, 2018, the District encumbered the following amounts:

	<u>General</u>	<u>Capital Projects</u>
Restricted:		
Capital Projects		\$ 8,097,538
Assigned:		
General Support	\$ 437,492	
Instruction	383,678	
Pupil Transportation	5,059	
Community Services	291	
Employee Benefits	3,327	
Capital Projects		10,002,555
	<u>\$ 829,847</u>	<u>\$ 18,100,093</u>
Total Encumbrances		

GREAT NECK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

19. TAX ABATEMENTS

The District is subject to tax abatements granted by the Nassau County Industrial Development Agency ("NCIDA"), an entity created as a New York State public benefit corporation. The NCIDA was established by Code Section 922, which became Chapter 674 of the Laws of 1975. The NCIDA offers several abatement programs on certain qualified projects to promote, retain, attract and encourage sound commerce and an industry base to prevent unemployment. Generally, a qualified project is an applicant submitted project which meets certain economic development criteria (such as job creation/retention) and which either 1) has been or will be financed by the issuance of NCIDA bonds, notes or other evidences of indebtedness with respect thereto or 2) is a straight lease transaction which the NCIDA has determined to undertake pursuant to a lease policy. The NCIDA, as a condition of providing assistance, may require that the benefiting company remit a payment in lieu of taxes ("PILOT") payment to offset the amount of taxes abated. The NCIDA is authorized to enter into PILOT agreements per Real Property Tax Law, Section 412-a and General Municipal Law, Section 874. In the case of the District, NCIDA granted abatements have resulted in reductions of property taxes, which is administered as a temporary reduction in the assessed value of the property involved. For the year ended June 30, 2018, the amount of District property tax abated was \$5,046,794 and the payment in lieu of taxes received was \$3,563,676.

20. CHANGES IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the Statement resulted in the retroactive reporting of the total other postemployment benefits (OPEB) liability and the reporting of current year OPEB expenses in the district-wide financial statements. The District's June 30, 2017 governmental activities net position was restated for the increase in the total OPEB liability by \$144,092,038 from \$116,511,693 to \$(27,580,345).

21. SUBSEQUENT EVENT

On July 25, 2018, the District entered into a Master Lease Purchase Agreement with Apple, Inc. for the purchase of iPad tablets. The total payment of \$282,851, which reflects a 1.57% interest rate, will be funded from the District technology budget and paid off over a period of four years with an annual payment of \$70,713 commencing July 25, 2018 and ending July 25, 2021.

GREAT NECK UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual		Variance With Final Budget
REVENUES					
Local Sources					
Real property taxes	\$ 198,564,847	\$ 191,399,663	\$ 191,629,919	\$	230,256
Other tax items	7,404,846	14,432,307	15,219,133		786,826
Charges for services	5,185,837	5,087,772	5,790,123		702,351
Use of money and property	519,794	519,794	1,153,709		633,915
Sale of property and compensation for loss	9,000	9,000	41,698		32,698
Miscellaneous	360,500	383,559	273,883		(109,676)
Total Local Sources	212,044,824	211,832,095	214,108,465		2,276,370
State aid	8,900,970	9,073,693	8,798,247		(275,446)
Federal aid	20,000	20,000	21,736		1,736
Total Revenues	220,965,794	220,925,788	222,928,448		2,002,660
OTHER FINANCING SOURCES					
Transfers from other funds	150,000	248,065	51,935		(196,130)
Total Revenues and Other Financing Sources	221,115,794	221,173,853	222,980,383	\$	1,806,530
Assigned fund balances	1,465,410	1,465,410			
Appropriated reserves	1,505,371	1,505,371			
Total Revenues, Other Financing Sources and Appropriated Fund Balance	\$ 224,086,575	\$ 224,144,634			
	Original Budget	Final Budget	Actual	Year-end Encumbrances	Variance With Final Budget and Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 178,677	\$ 197,429	197,224	\$ 205	-0-
Central administration	360,625	360,625	357,796		2,829
Finance	1,791,549	1,818,049	1,646,311	47,411	124,327
Staff	1,263,119	1,337,337	1,175,977	2,695	158,665
Central services	21,215,581	21,858,295	19,047,108	384,981	2,426,206
Special items	2,684,209	2,564,808	2,248,428	2,200	314,180
Total General Support	27,493,760	28,136,543	24,672,844	437,492	3,026,207
Instruction					
Instruction, administration and improvement	8,579,035	8,955,725	8,881,473	74,252	-0-
Teaching - regular school	68,870,070	68,775,476	66,569,880	176,449	2,029,147
Programs for children with disabilities	30,227,444	30,359,652	30,006,297	5,815	347,540
Teaching - special school	1,629,854	1,627,035	1,297,332	10,966	318,737
Instructional media	2,571,863	2,584,808	2,475,112	28,413	81,283
Pupil services	7,094,649	7,165,027	6,691,646	87,783	385,598
Total Instruction	118,972,915	119,467,723	115,921,740	383,678	3,162,305
Pupil Transportation	13,147,771	13,179,096	12,388,666	5,059	785,371
Community Services	707,375	897,375	854,485	291	42,599
Employee Benefits	54,904,924	53,069,985	50,076,625	3,327	2,990,033
Debt Service - principal	520,000	1,181,337	1,181,337		-0-
Debt Service - interest	475,000	254,824	254,824		-0-
Total Expenditures	216,221,745	216,186,883	205,350,521	829,847	10,006,515
OTHER FINANCING USES					
Transfers to other funds	7,864,830	7,957,751	7,957,751		-0-
Total Expenditures and Other Uses	\$ 224,086,575	\$ 224,144,634	213,308,272	\$ 829,847	\$ 10,006,515
Net Change in Fund Balance			9,672,111		
Fund Balance - Beginning of Year			40,759,008		
Fund Balance - End of Year			\$ 50,431,119		

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.

See Paragraph on Required Supplementary Information Included in Auditor's Report.

GREAT NECK UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS
June 30, 2018

Period	Total OPEB Liability - Beginning of the Period	Service cost	Interest on Total OPEB Liability	Differences between expected and actual experience	Changes in benefit terms	Changes of assumptions or other inputs	Benefit payments	Total OPEB Liability - End of the Period	Covered- employee payroll	Total OPEB Liability as a Percentage of Covered- employee Payroll
July 1, 2017 - June 30, 2018	\$ 216,227,799	\$ 2,524,236	\$7,481,167	\$ -0-	\$ -0-	\$ -0-	\$ (4,960,322)	\$ 221,272,880	\$ 88,646,594	249.61%

See Paragraph on Required Supplementary Information Included in Auditor's Report.

GREAT NECK UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
For the Last 5 Fiscal Years

NYSERS	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0726173%	0.0754953%	0.0816308%	0.0760734%	0.0760734%
District's proportionate share of the net pension liability (asset)	\$ 2,343,682	\$ 7,093,710	\$ 13,101,975	\$ 2,569,947	\$ 3,437,652
District's covered-employee payroll	\$ 23,055,785	\$ 23,372,487	\$ 24,558,706	\$ 23,897,478	\$ 22,812,593
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.17%	30.35%	53.35%	10.75%	15.07%
Plan fiduciary net position as a percentage of the total pension liability coming from plan.	98.24%	94.70%	90.70%	97.95%	97.20%
NYSTRS	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.603227%	0.620657%	0.617738%	0.608130%	0.606293%
District's proportionate share of the net pension liability (asset)	\$ 4,585,127	\$ 6,647,497	\$ (64,163,301)	\$ (67,741,925)	\$ (3,990,943)
District's covered-employee payroll	\$ 96,950,900	\$ 97,095,839	\$ 94,210,358	\$ 91,128,639	\$ 90,349,285
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	4.73%	6.85%	-68.11%	-74.34%	-4.42%
Plan fiduciary net position as a percentage of the total pension liability coming from plan.	100.66%	99.01%	110.46%	111.48%	100.70%

Note to Required Supplementary Information

Teachers' Retirement System

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

Employees' Retirement System

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

GREAT NECK UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
For the Last 10 Fiscal Years

	NYSERS									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 3,484,201	\$ 3,540,358	\$ 4,359,556	\$ 4,256,629	\$ 4,608,380	\$ 4,312,474	\$ 3,467,971	\$ 2,741,920	\$ 1,671,948	\$ 1,674,814
Contributions in relation to the contractually required contribution	3,484,201	3,540,358	4,359,556	4,256,629	4,608,380	4,312,474	3,467,971	2,741,920	1,671,948	1,674,814
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered-employee payroll	\$ 23,030,643	\$ 23,351,504	\$ 24,562,999	\$ 24,520,278	\$ 22,934,381	\$ 23,270,064	\$ 22,394,922	\$ 22,249,260	\$ 21,806,197	\$ 21,661,766
Contributions as a percentage of covered-employee payroll	15.13%	15.16%	17.75%	17.36%	20.09%	18.53%	15.49%	12.32%	7.67%	7.73%
	NYSTRS									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 9,553,626	\$ 11,203,581	\$ 12,699,584	\$ 16,266,550	\$ 14,597,995	\$ 10,514,953	\$ 9,559,360	\$ 7,366,265	\$ 5,370,268	\$ 5,736,321
Contributions in relation to the contractually required contribution	9,553,626	11,203,581	12,699,584	16,266,550	14,597,995	10,514,953	9,559,360	7,366,265	5,370,268	5,736,321
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered-employee payroll	\$ 99,770,814	\$ 96,950,900	\$ 97,095,839	\$ 94,210,358	\$ 91,128,639	\$ 90,349,285	\$ 87,645,113	\$ 85,911,973	\$ 87,910,726	\$ 86,412,546
Contributions as a percentage of covered-employee payroll	9.58%	11.56%	13.08%	17.27%	16.02%	11.64%	10.91%	8.57%	6.11%	6.64%

See Paragraph on Required Supplementary Information Included in Auditor's Report.

GREAT NECK UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
For the Year Ended June 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 223,311,165
Add: Prior year's encumbrances	<u>775,410</u>
Original Budget	224,086,575
Add: Budget revisions	<u>58,059</u>
Final Budget	<u><u>\$ 224,144,634</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	<u><u>\$ 229,845,028</u></u>
Maximum allowed (4% of 2018-19 budget)	<u><u>\$ 9,193,801</u></u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:

Unrestricted fund balance:		
Assigned fund balance	\$ 1,519,847	
Unassigned fund balance	<u>11,785,696</u>	<u>\$ 13,305,543</u>
Less:		
Appropriated fund balance	\$ 690,000	
Encumbrances	<u>829,847</u>	<u>1,519,847</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law: \$ 11,785,696

Actual Percentage 5.13%

GREAT NECK UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING RESOURCES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2018

PROJECT TITLE	Budget June 30, 2018	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2018
		Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Five-Year Capital Plan										
District-wide		\$ 26,807		\$ 26,807						
EM Baker School		-0-		-0-						
John F. Kennedy School		80,231		80,231						
Lakeville School		12,999		12,999						
North High School		130,781	13	130,794						
North Middle School		104,107	163,992	268,099						
Parkville School		-0-		-0-						
Phipps Administration		15,025		15,025						
Saddle Rock		196,387		196,387						
South High School		476,563	27,544	504,107						
South Middle School		270,893		270,893						
Grace Ave		-0-	5,102	5,102						
Transfer to General Fund		-0-	5,868	5,868						
Total Five-Year Capital Plan	\$ 2,023,354	1,313,793	202,519	1,516,312	\$ 507,042	\$ -0-	\$ -0-	\$ 2,023,354	\$ 2,023,354	\$ 507,042
Technology Enhancements										
District-wide		1,136,053	156,430	1,292,483						
EM Baker School		285,701	20,622	306,323						
John F. Kennedy School		275,697	2,030	277,727						
Lakeville School		368,219	12,780	380,999						
North High School		223,836		223,836						
North Middle School		230,622		230,622						
Parkville School		88,319	580	88,899						
Saddle Rock		270,396	3,480	273,876						
South High School		245,229		245,229						
South Middle School		221,085		221,085						
Unallocated - Elementary		531,330		531,330						
Village School		120,589	1,049	121,638						
Total Technology Enhancements	5,021,142	3,997,076	196,971	4,194,047	827,095	-0-	-0-	5,021,142	5,021,142	827,095
Building Conditions Projects										
Clover Drive Center		122,051	271,290	393,341						
Cumberland Center		1,217,014	92,254	1,309,268						
District-wide		299,565	13,630	313,195						
EM Baker School		608,211	426,679	1,034,890						
Grace Avenue		182,711		182,711						
Inland Building		23,508	31,138	54,646						
John F. Kennedy School		705,686	475,177	1,180,863						
Lakeville School		415,561	29,837	445,398						
North High School		621,756	346,306	968,062						
North Middle School		932,998	240,982	1,173,980						
Parkville School		1,056,197	185,170	1,241,367						
Phipps Administration		56,613	78,102	134,715						
Saddle Rock		746,596	24,390	770,986						
Security Building		-0-		-0-						
South Grounds		651,993	689,587	1,341,580						
South High School		649,289	132,776	782,065						
South Middle School		546,315	101,910	648,225						
Village School		200,875	98,341	299,216						
Transfer to General Fund		-0-	42,759	42,759						
Total Building Conditions Projects	18,146,257	9,036,939	3,280,328	12,317,267	5,828,990	-0-	581,567	17,564,690	18,146,257	5,828,990
Carried forward	\$ 25,190,753	\$ 14,347,808	\$ 3,679,818	\$ 18,027,626	\$ 7,163,127	\$ -0-	\$ 581,567	\$ 24,609,186	\$ 25,190,753	\$ 7,163,127

See Paragraph on Other Supplementary Information Included in Auditor's Report.

GREAT NECK UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING RESOURCES - CAPITAL PROJECTS FUND (continued)
For the Year Ended June 30, 2018

PROJECT TITLE	Budget June 30, 2018	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2018
		Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Brought forward	\$ 25,190,753	\$ 14,347,808	\$ 3,679,818	\$ 18,027,626	\$ 7,163,127	\$ -0-	\$ 581,567	\$ 24,609,186	\$ 25,190,753	\$ 7,163,127
Proposition 2012										
District-wide			219,100	219,100						
Transfer to General Fund			3,308	3,308						
Total Proposition 2012	232,255	-0-	222,408	222,408	9,847	-0-	-0-	232,255	232,255	9,847
Proposition 2016 (Capital Reserve)										
Clover Drive		4,274	34,004	38,278						
Cumberland Center		4,717	46,042	50,759						
EM Baker School		100,083	551,015	651,098						
Grace Avenue		3,956	51,935	55,891						
John F. Kennedy School		117,061	1,282,578	1,399,639						
Lakeville School		47,265	32,929	80,194						
North High School		126,158	284,766	410,924						
North Middle School		120,867	1,386,606	1,507,473						
Parkville School		66,992	429,666	496,658						
Phipps Administration		56,612	1,131,044	1,187,656						
Saddle Rock		9,529	278,891	288,420						
South High School		90,255	530,988	621,243						
South Middle School		40,491	236,712	277,203						
Village School		3,341	2,540	5,881						
Total Proposition 2016	19,006,997	791,601	6,279,716	7,071,317	11,935,680	-0-	-0-	19,006,997	19,006,997	11,935,680
Proposition 2017 (Bond Projects)										
EM Baker School			257,748	257,748						
Lakeville School			8,702	8,702						
North High School			58,162	58,162						
Parkville School			268,628	268,628						
Phipps Administration			700	700						
Saddle Rock			22,592	22,592						
South High School			4,568	4,568						
South Middle School			1,480	1,480						
Total Proposition 2017	77,847,217	-0-	\$ 622,580	\$ 622,580	77,224,637	\$ 68,339,262	-0-	9,507,955	77,847,217	77,224,637
Totals	\$ 122,277,222	\$ 15,139,409	\$ 10,804,522	\$ 25,943,931	\$ 96,333,291	\$ 68,339,262	\$ 581,567	\$ 53,356,393	\$ 122,277,222	\$ 96,333,291
										Unissued Bonds (68,339,262)
										Capital Projects Fund - Fund Balance \$ 27,994,029

See Paragraph on Other Supplementary Information Included in Auditor's Report.

GREAT NECK UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
June 30, 2018

Capital assets, net			\$ 96,621,279
Deduct:			
Premium on bonds payable	\$	74,178	
Short-term portion of bonds payable		2,060,000	
Short-term portion of capital leases payable		373,405	
Long-term portion of capital leases payable		310,740	
Short-term portion of installment purchase debt		725,125	
Long-term portion of installment purchase debt		<u>5,009,750</u>	<u>(8,553,198)</u>
Net Investment in capital assets			<u><u>\$ 88,068,081</u></u>

See Paragraph on Other Supplementary Information Included in Auditor's Report.

**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
Great Neck Union Free School District
Great Neck, 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 Great Neck Union Free School District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Great Neck Union Free 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 Great Neck Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Great Neck Union Free 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 Great Neck Union Free 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 Great Neck Union Free School District in a separate letter dated October 30, 2018.

Purpose of this Report

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

Cullen & Danowski, LLP

October 30, 2018

