

**SAYVILLE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

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# Pappas & Company

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## **INDEPENDENT AUDITOR'S REPORT**

*The Board of Trustees  
Sayville Union Free School District  
Sayville, New York*

### ***Report on the Financial Statements***

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

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

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

### ***Auditor's Responsibility***

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

*An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that*

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well 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 Sayville Union Free School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### Required Supplementary Information

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

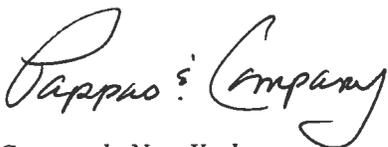
#### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional

*procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.*

***Other Reporting Required by Government Auditing Standards***

*In accordance with Government Auditing Standards, we have also issued a report dated October 11, 2016 on our consideration of the Sayville Union Free District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sayville Union Free School District's internal control over financial reporting and compliance.*

A handwritten signature in cursive script that reads "Pappas & Company". The signature is written in black ink and is positioned above the typed name and date.

*Commack, New York  
October 11, 2016*

# SAYVILLE UNION FREE SCHOOL DISTRICT

## *MANAGEMENT DISCUSSION AND ANALYSIS*

Management offers readers of the Sayville Union Free School District financial statements this narrative overview and analysis of the financial activities and the District's performance during the fiscal year ending June 30, 2016. We would encourage readers to consider the information presented in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

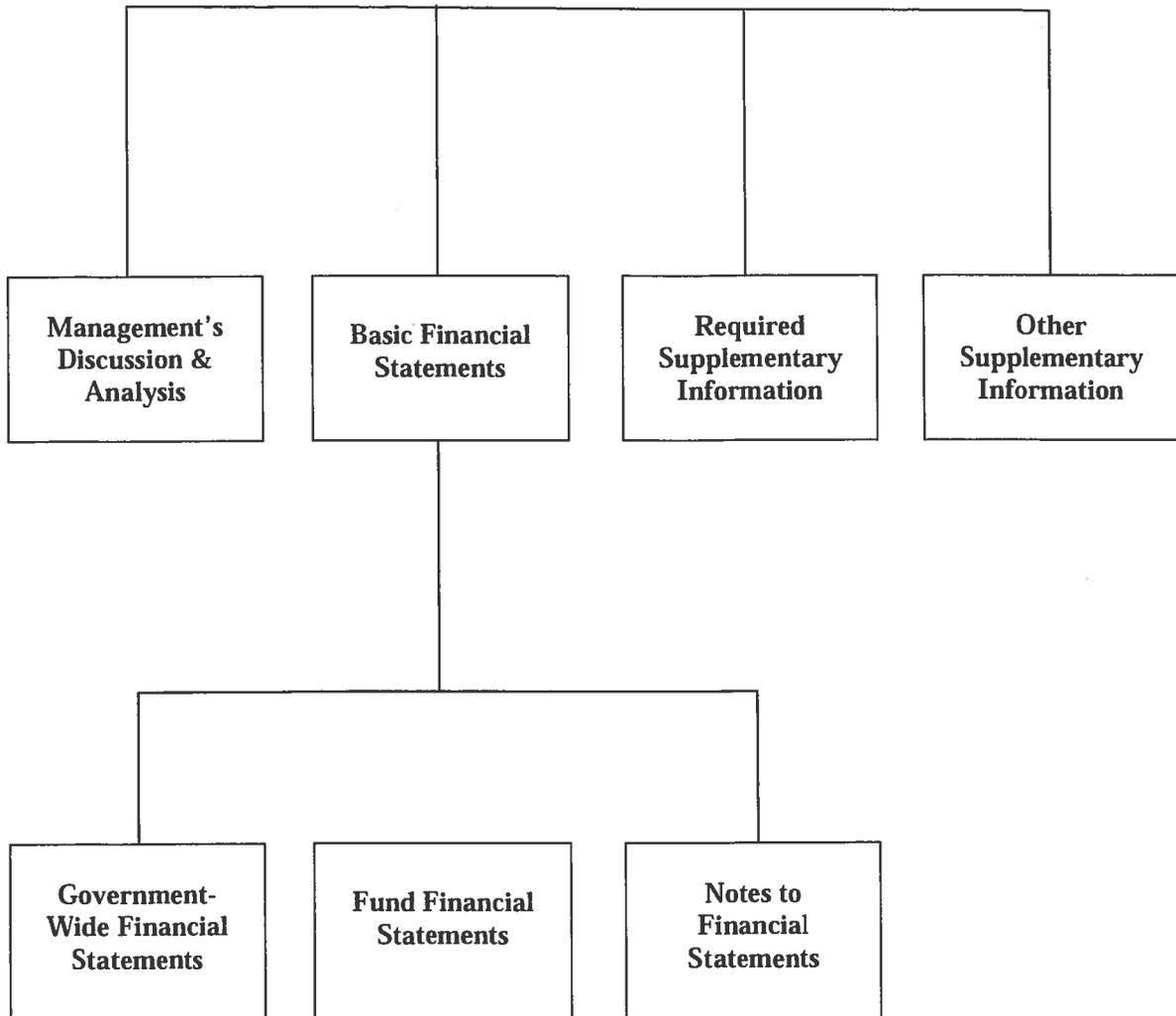
- Government-wide net position at June 30, 2016 was \$21,560,572. (For details please refer to Exhibit 1 in the Financial Statement section).
- Overall general revenues for all funds were \$89,056,705, which were greater than expenditures by \$706,179 thus increasing the District's net position. (See Exhibit 2 of the Financial Statements section. Overall revenue is the sum of general revenues, charges for services and operating grants).
- The ending fund balance of the District's General fund as of June 30, 2016 was \$27,078,098. Of this amount, \$3,947,778 is available for spending at the government's discretion (unassigned).
- Principal paid down on outstanding serial bond debt amounted to \$3,684,000.
- For 2016-2017, the District continues to offer all programs. The proposed 2016-2017 budget in the amount of \$90,119,477 was approved by the District's residents.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's **overall** financial status.
- The remaining statements are *fund financial statements* that focus on **individual** parts of the District, reporting the District's operations in more detail than the district-wide statements. Government Fund statements tell how basic services were financed in the short term and what remains for future spending.
- Fiduciary Funds statements provide financial information where the District acts as a trustee or agent for the benefit of others.

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



Following is a chart that further describes the major features of the Government-Wide Statements and the Fund Financial Statements:

<b>TABLE A-2</b>			
	Government-wide Statements	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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes In Fiduciary Net Position</li> </ul>
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/liability information	All assets and liabilities, deferred inflows/outflows of resources, both financial and capital, short term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, 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

## *Government-wide Statements*

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

The two Government-wide statements report the District's *net position* and how it has changed. Net Position – the difference between the District's assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the net assets are an indicator of whether the financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting;
- Allocate net position as follows:
  - *Net investment in capital assets*-consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition,

construction, or improvement of those assets or related debt also should be included in this component of net position.

- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

### ***Fund Financial Statements***

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is found in the two Exhibits that provide a reconciliation to explain the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often have a budgetary orientation. Included are the general fund, special revenue funds, debt service funds, capital project funds and permanent funds. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from district-wide financial statements because it cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position

The District's net position was greater on June 30, 2016, than it was the year before, increasing by \$706,179.

**Table A-3**  
**Condensed Statement of Net Assets (in thousands of dollars)**

	<u>Governmental Activities</u>		Total Percentage Change
	<u>2016</u>	<u>2015</u>	
<b><u>Assets:</u></b>			
Current Assets	\$ 32,818	\$ 35,094	
Capital Assets-net	58,346	55,552	
Net Pension Asset-TRS	<u>21,862</u>	<u>23,174</u>	
Total Assets	<u>113,026</u>	<u>113,820</u>	<u>(.70%)</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>9,938</u>	<u>6,677</u>	<u>48.84 %</u>
<b><u>Liabilities and Unearned Revenue:</u></b>			
Current Liabilities and Unearned Revenue	13,422	12,690	
Long Term Liabilities	<u>79,746</u>	<u>71,050</u>	
Total Liabilities/Unearned Revenue	<u>93,168</u>	<u>83,740</u>	<u>11.26 %</u>
<b><u>Deferred Inflows of Resources</u></b>	<u>8,235</u>	<u>15,903</u>	<u>(48.22%)</u>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	32,643	25,692	
Restricted	18,864	18,355	
Unrestricted	<u>( 29,946)</u>	<u>(23,193)</u>	
Net Position	<u>\$ 21,561</u>	<u>\$ 20,854</u>	<u>3.39 %</u>

In 2016, Current Assets showed a decrease in combined Cash/Restricted Cash.

Capital assets increased by various school district improvements and purchases as shown in Note 5 to the basic financial statements. However, depreciation, serves to reduce the total Capital assets.

The Net Pension Asset-Proportionate share is provided by the New York State Teachers' Retirement System for GASB No. 68 as of the most recent measurement date.

Deferred Outflows of Resources represents deferred charges as a result of two advanced refunding of bonds as well as amounts provided from cost sharing pension plans.

Current Liabilities and Unearned Revenue did not show a significant change.

Non-current liabilities within the grouping had a decrease in serial bonds and the energy performance contract, but the postemployment benefit obligations and a change in the Net Pension Liability for ERS-proportionate share, impacted the increase. Also included in non-current liabilities are calculated long-term compensated absences.

Deferred Inflows of Resources relates to amounts provided from cost sharing pension plans. Pension information is included in Note 10 to the financial statements.

Net investment in capital assets relates to capital assets at cost such as land, buildings and improvements, and furniture and equipment, etc. and subtracting accumulated depreciation, related bond debt and adjustments related to the refunding (premium and deferred outflow). The net investment in capital assets showed an increase over the prior year. The additions were more than the depreciation by \$2,945,677. However, the financing related to the assets decreased by \$4,157,215.

- Restricted resources of \$18,863,823 are composed of amounts detailed under “Financial Analysis of the District’s Funds”.
- The unrestricted resources deficit, in the amount of (\$29,946,303) relates to the balance of the District’s net position including assigned and unassigned fund balances less unfunded liabilities. The District is only permitted to fund other postemployment benefits on a “pay as you go” basis. New York State has not put into legislation a vehicle to accumulate funds for the Net OPEB obligation.

### **Changes in Net Position**

The results of this year’s operations as a whole are reported in the Statement of Activities in the accompanying financial statements. The comparison of fiscal years 2016 and 2015 follows in Table A-4.

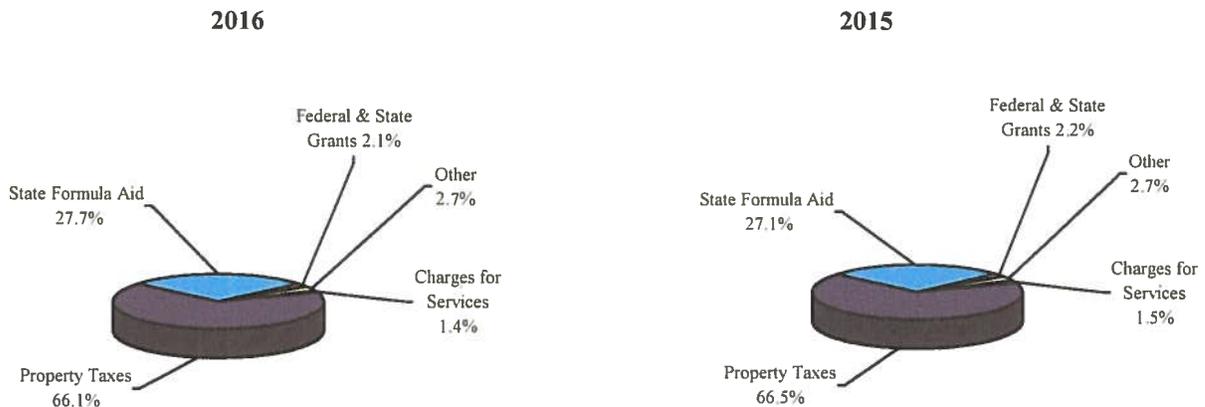
**Table A-4**  
**Changes In Net Position From Operating Results (in thousands of dollars)**

	Governmental Activities		Total Percentage Change
	2016	2015	
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 1,291	\$ 1,337	
Operating Grants	1,851	1,896	
General Revenues			
Real Property Taxes and Tax Items	58,860	58,040	
State Aid - General	24,643	23,688	
Other	2,413	2,342	
<b>Total Revenues</b>	<b>\$ 89,058</b>	<b>\$ 87,303</b>	<b>2.01%</b>
<b>Expenses</b>			
General Support	12,579	12,305	
Instruction	69,960	65,954	
Pupil Transportation	3,568	3,480	
Community Service	112	139	
Debt Interest	1,055	1,170	
Debt Issuance Costs	-	61	
School Lunch Program	1,077	1,086	
<b>Total Expenses</b>	<b>88,351</b>	<b>84,195</b>	<b>4.94%</b>
<b>Increase/(Decrease) in Net Position</b>	<b>707</b>	<b>3,108</b>	
<b>Net Position -beginning of year</b>	<b>20,854</b>	<b>17,746</b>	
<b>Net Position-end of year</b>	<b>\$ 21,561</b>	<b>\$ 20,854</b>	<b>3.39%</b>

**Revenues**

- Property taxes and state aid contributed most of the revenue.
- Charges for Services include tuition, fees and related services.
- Operating Grants are state and federal funds received for school lunch reimbursement and special aid instruction.

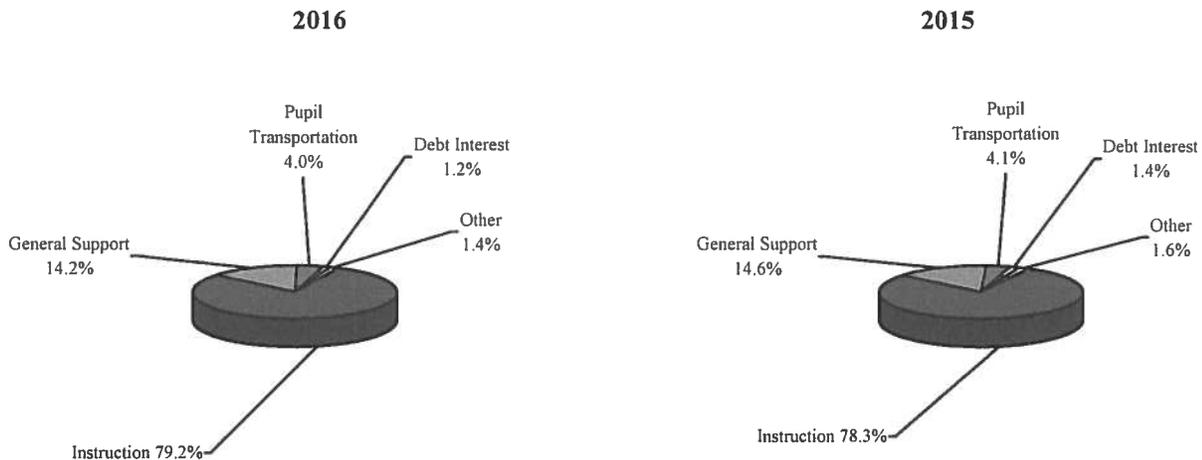
**Table A-5**  
**Source of Revenues for Governmental Activities Fiscal Year**



## *Expenses*

The District's expenses are predominantly related to general support, instruction and transporting students. The District's general support activities accounted for 14.2 percent of expenses. On the charts, "Other" includes community service, the school lunch program and debt issuance costs on refunding of bonds.

**Table A-6**  
**Expenses for Fiscal Year**



## *Governmental Activities*

The continued good health of the District's finances can be credited to:

- Leadership of the District's Board of Education.
- Board of Education and Administration's oversight of the District's finances.
- The District's Policy review process that has resulted in Policies and Procedures being updated in a timely manner.
- Continued assessment, implementation and improvement of financial internal control structure.
- The constructive recommendations provided by External, Internal, and Claims Audit processes.
- Approval of the annual budget and support of the community.
- Long-range fiscal strategies that have effectively utilized the District's available resources; and the use of reserve and surplus funds.
- Responsible Budgeting practices have provided for the continued good fiscal health of the School District.
- A stable tax base with strong wealth levels.
- The District's continued strong financial position that will remain healthy given the sound fiscal management with conservative budget practices.
- The ability to provide additional cost effective program opportunities for students during fiscal downturns and the ability to adjust for economic or demographic changes.

- In accordance with the Fiscal Stress Monitoring System, implemented by the Office of the State Comptroller, Sayville School District has received a “No Fiscal Stress Designation” for the three years the Monitoring System has been in place.
- The effective management and use of the District’s strong fund balance and reserve levels.
- In a recent updated Tax Levy Analysis of Long Island School Districts performed by the District, Sayville’s Tax Levy was less than that average of all Long Island and Suffolk County Schools in ten (10) out of the last twelve (12) years. This is the result of prudent fiscal management policies that have allowed the District to enhance instructional and support programs, while balancing the fiscal needs of the community.

Table A-7 shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).The net cost shows the financial burden placed on the District’s taxpayers by each of these functions.

**Net Cost of Governmental Activities (in thousands of dollars)**

	2016		2015	
	Total Cost	Net Cost	Total Cost	Net Cost
General Support	\$ 12,579	\$ 12,579	\$ 12,305	\$ 12,305
Instruction	69,960	67,909	65,954	63,843
Pupil Transportation	3,568	3,568	3,480	3,480
Debt Interest	1,055	1,055	1,170	1,170
Debt Issuance Costs	-	-	61	61
Community Service	111	111	139	139
School Lunch	1,077	(13)	1,086	(35)
<b>Total</b>	<b>\$ 88,350</b>	<b>\$ 85,209</b>	<b>\$ 84,195</b>	<b>\$ 80,963</b>

- Most of the net costs of \$85,209,281 were financed by District’s taxpayers and government aid.
- The total costs of all government activities this year was \$88,350,526.
- The users of the District’s programs funded \$1,290,557 of the cost by “charges for services”. Operating grants of \$1,850,688 received for instruction and the school lunch program also reduced the total costs to the District.

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

At June 30, 2016, the District’s governmental funds reported a combined fund balance of \$21,797,439, which is a decrease of \$4,922,358 from the prior year. This decrease is due to an excess of expenditures over revenues. A summary of the change in fund balance by fund presented in accordance with GASB 54 classifications is as follows:

	2016	2015	Increase (Decrease)
<b>General Fund</b>			
Nonspendable	\$ -	\$ 222,545	\$ (222,545)
Restricted for:			
Bonded debt	199,628	236,963	(37,335)
Tax Reduction	623,850	823,850	(200,000)
Employee benefit accrued liability	7,561,853	7,465,039	96,814
Retirement contribution	7,557,481	6,888,159	669,322
Workers' compensation	2,201,631	2,186,631	15,000
Unemployment insurance	719,380	754,380	(35,000)
Subtotal-Restricted	<u>18,863,823</u>	<u>18,355,022</u>	<u>508,801</u>
Assigned:			
Designated fund balance for subsequent year's budget	2,155,000	2,376,600	(221,600)
General Government expenditures	2,111,497	2,263,307	(151,810)
Unassigned	<u>3,947,778</u>	<u>3,353,406</u>	<u>594,372</u>
	<u>27,078,098</u>	<u>26,570,880</u>	<u>507,218</u>
<b>School Lunch Fund</b>			
Nonspendable: Inventory	18,813	22,164	(3,351)
Assigned	<u>121,179</u>	<u>109,622</u>	<u>11,557</u>
	<u>139,992</u>	<u>131,786</u>	<u>8,206</u>
<b>Capital Projects Fund</b>			
Assigned	-	17,131	(17,131)
Unassigned	<u>(5,420,651)</u>	<u></u>	<u>(5,420,651)</u>
	<u>(5,420,651)</u>	<u>17,131</u>	<u>(5,437,782)</u>
	<u>\$ 21,797,439</u>	<u>\$ 26,719,797</u>	<u>\$ (4,922,358)</u>

## General Fund

The net change in the general fund – fund balance is an increase of \$507,218 as revenues of \$86,337,105 were more than expenditures of \$85,829,887.

### A. School Lunch Fund

The school lunch fund had an ending balance of \$139,992 whereas the fund had a balance of \$131,786 the prior year. Nonspendable inventory amounted to \$18,813.

### B. Capital Projects Fund

The net change in the capital projects fund – fund balance was (\$5,437,782) for project expenditures.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Many factors and variables occur during the daily business operations of the school district. The District actively manages the revenue budget to maximize all state aid claims and miscellaneous receipts.

Simultaneously, budgetary savings were achieved through competitive purchasing efforts and reduced spending. Other significant factors include:

### **(A) 2015-2016 Budget**

The District's general fund adopted budget for the year ended June 30, 2016 was \$89,405,025. This amount was increased by encumbrances carried forward from the prior year in the amount of \$2,263,307 and an approved budget amendment of \$15,000 for a final budget of \$91,683,332.

The actual results for the year show an excess of revenues over expenditures in the amount of \$507,218.

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

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

#### **Unassigned Fund Balance**

Opening, Unassigned Fund Balance	\$	3,353,406
Revenues Over Budget		541,368
Restricted Reserves Appropriated		(1,247,688)
Expenditures and Encumbrances under budget		3,741,948
Decrease in nonspendable fund balance		222,545
Changes in Restricted Fund Balance		(508,801)
Assigned, Designated for June 30, 2017 budget		(2,155,000)
Closing, Unassigned Fund Balance	\$	<u><u>3,947,778</u></u>

The unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for the subsequent year's budget. This amount is limited to 4% of the 2016-2017 budget. The actual unassigned fund balance for the period ending June 30, 2016 is \$3,947,778. This amount represents 4.38% of the 2016-2017 budget. The excess unassigned fund balance above the 4% was provided to cover the costs of two boiler failures at one of the Districts' facilities. The Board of Education declared a health

and safety emergency on July 1, 2016 to provide for the replacement of these boilers. Once the monies were appropriated on July 1, 2016, unassigned fund balance was reduced to the 4% limit.

There were changes in revenue (plus and minus) that accounted for the Revenues over budget of \$541,368. State sources \$114,368, Sale of Property and Compensation for Loss \$137,872 and Miscellaneous \$160,623 contributed to the amount over budget.

In accordance with Schedule SS-1, the total unencumbered balance equaled \$3,741,948. The following represents a brief summary of the significant items that were under budget that resulted from savings achieved through reduced spending and effective budget management:

- The largest area of General Support under budget was for Central Services in the amount of \$683,799. The following are some of the significant factors attributable to this savings:
  - Personnel changes/retirements in the Operations, Maintenance and Grounds areas during the school year which resulted in \$47,089.
  - An Energy Performance contract was completed in the 2012-13 school year. Continued energy consumption savings and lower energy costs into the 2015-2016 year was approximately \$551,748.
- Of the \$1,973,916 savings under Instruction, the greatest savings were experienced in Teaching-Regular School (\$444,633) and Programs for Children with Handicapping Conditions (\$627,081).
  - In the area of Teaching-Regular School, the budgetary savings is attributable to several reasons, such as personnel changes and retirements, coupled with the continuation of State and Federal Grant funding levels that provided for staff funding under our Compensatory Title and Professional Development Grants.
  - Within the area of Children with Handicapping Conditions, the achieved budgetary savings are a direct result of several children with handicapping conditions being brought back into District operated programs from BOCES and other Public School Placements, coupled with effective use of Special Education outside consultants and internal support staff, and also the effective use of our Special Education Grant funding to support Children with Handicapping Conditions program needs.
- Public Transportation experienced a savings of \$387,977. This is a direct result of several factors:
  - Transportation Contracts can either be re-bid annually or the contractor can agree to renew at the May 31<sup>st</sup> CPI for the following school year. For the 2015-16 school year, the District anticipated a 1% increase for contractual transportation costs based on a CPI renewal. The actual May 31, 2015 CPI came in at 0.00% increase.
  - Less van buses were needed due to more effective bus routing.
  - Realized cost reductions (sharing credits) for ride sharing with neighboring Districts.

- Employee Benefits shows an unencumbered balance of \$510,498. The predominant savings were in the FICA costs and health costs. FICA savings are the result of personnel changes and retirements. In the area of health costs, the District realized a continued savings moving from a self-insured health plan to the NYSHIP Governmental Plan on January 1, 2015. During the 2015-16 school year there were no additional costs incurred for claims run-out of the previous self-insured health plan.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

By June 30, 2016, the District had invested \$58,345,975 net of accumulated depreciation in a broad range of capital assets, including land, buildings and improvements, furniture, machinery and equipment and vehicles. Total depreciation expense for the year was \$3,690,986 and additions to building improvements and machinery and equipment amounted to \$1,188,295, which includes a rollover of Construction in Progress from the prior year, as well as additional Construction in Progress of \$5,448,368.

**Table A-8**  
**Capital Assets (net of depreciation, in thousands of dollars)**

	Governmental Activities	
	2016	2015
Land	\$ 306	\$ 306
Construction in Progress	5,448	152
Buildings	50,097	52,527
Site Improvements	414	437
Machinery/Equipment/Vehicles	2,081	2,130
Total	\$ 58,346	\$ 55,552

More detailed information can be found in Note 5 and Note 6 to the Financial Statements.

### *Long-Term Debt*

At year-end, the District had \$18,125,000 (non-current portion) of general obligation bonds adjusted for the non-current portion of premium related of \$359,460 in addition to other long-term debt outstanding. More detailed information is presented in Note 8 to the Financial Statements. Information on the Net Other Postemployment Benefits is shown separately in Note 11 and the Net Pension Liability-ERS is addressed in Note 10.

**Outstanding Long-Term Debt (in thousands of dollars)**

	Fiscal Year	
	2016	2015
Serial Bonds	\$ 18,484	\$ 20,345
Net Pension Liability-ERS	5,398	1,140
Energy Performance Contract	5,181	5,640
Compensated Absences	7,487	7,175
Net OPEB Obligation	43,196	36,750
<b>Total</b>	<b>\$ 79,746</b>	<b>\$ 71,050</b>

## FACTORS BEARING ON THE DISTRICT'S FUTURE

Through the support of the Board of Education, the District has implemented a long-term fiscal plan that continues to enhance the fiscal health of the School District. This is evidenced by past and current year audited Financial Statements. Sayville School District is committed to providing quality instructional programs and educational opportunities for our students. The current fiscal plan provides the necessary foundation to support our exemplary programs – currently and into the future.

However, at the time these Financial Statements were prepared, the District was aware of several circumstances that could impact the future:

- The District recently Re-funded two outstanding Serial Bond issues saving approximately \$2 million in debt service over the remaining 12.5 year life of the bonds.
- The District's Moody's rating was recently upgraded to Aa1 from Aa2.
- The tax levy cap percentage for school districts is based on the December consumer price index (CPI). The regulations require us to use the LOWER of 2% or the December 31<sup>st</sup> CPI. CPI is currently trending about 1% and is not projected to grow much higher by December 2016. Therefore, it is anticipated that the CPI used for the 2017-18 levy cap calculation may be as low as 1%. Sayville's new Pilot Project and reductions in annual debt service costs will continue to further reduce the calculated tax levy cap.
- Continued fiscal burden for local school districts to fund additional Federal, State, and local **unfunded mandates**.
- New York State's lack of commitment to fund the current State aid formula.
- New York State's ability to provide mandate relief in order to reduce the fiscal burden to local taxpayers.
- New York State's ability to provide the necessary Legislation to allow public schools to begin funding Other Postemployment Benefits (OPEB) in accordance with GASB 45 disclosure and reporting requirements.
- New York State's ability to create Legislation that would allow public schools to establish a Teacher Retirement reserve (TRS) to help better plan for future retirement costs.
- The limited financial markets and the continued consolidation of financial institutions, thus limiting available resources.
- The effect of rising interest rates on the District's Tax Anticipation Notes (Tan's), Bond Anticipation Notes (BAN's) and future Bond borrowings.

- The anticipated sale of 66 Tyler Avenue property (old maintenance facility) may provide for an additional tax reserve to be used up to a ten year period to lower future tax levies.

While the District is aware of the potential fiscal effects of the above circumstances, its aggressive fiscal management Practices and Policies will continue to provide the oversight to maintain and grow the fiscal resources necessary to support our current programs and instructional opportunities in the future.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the District's accountability for the money it receives. If you have questions about the report or need additional financial information, contact Mr. John J. Belmonte, Assistant Superintendent for Business, Sayville Union Free School District, 99 Greeley Avenue, Sayville, New York 11782.

Exhibit I

SAYVILLE UNION FREE SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

**ASSETS**

Current Assets:	
Cash	\$ 11,127,798
Restricted Cash	18,904,303
Accounts Receivable	61,595
State and Federal Aid Receivable	2,705,102
Due from Fiduciary Fund	1
Inventories	18,813
Total Current Assets	<u>32,817,612</u>
Non-Current Assets:	
Net Pension Asset-TRS	21,862,535
Capital Assets-Not Being Depreciated	5,754,108
Capital Assets Being Depreciated, Net of Accumulated Depreciation	52,591,867
Total Assets	<u>113,026,122</u>

**DEFERRED OUTFLOWS**

Deferred Charge on Refundings	281,735
Deferred Outflows Related to Pensions	9,656,745
Total Deferred Outflows of Resources	<u>9,938,480</u>

**LIABILITIES**

Current Liabilities:	
Accounts Payable and Accrued Liabilities	1,901,831
Bond Interest and Matured Bonds	40,480
BAN's Payable	4,000,000
Due to Other Governments	43
Serial Bonds Payable - Due Within One Year	1,860,473
Energy Performance Contract - Due Within One Year	458,909
Due To NYS Teachers' Retirement System	4,433,478
Due to NYS Employees' Retirement System	376,667
Compensated Absences Payable-Due Within One Year	297,237
Unearned Revenue	52,916
Total Current Liabilities and Unearned Revenue	<u>13,422,034</u>
Non-Current Liabilities:	
Serial Bonds Payable	18,484,460
Energy Performance Contract	5,180,816
Net Pension Liability-ERS	5,398,241
Net OPEB Obligation	43,196,373
Compensated Absences Payable	7,486,639
Total Non-Current Liabilities	<u>79,746,529</u>
Total Liabilities and Unearned Revenue	<u>93,168,563</u>

**DEFERRED INFLOWS**

Deferred Inflows Related to Pensions	<u>8,235,467</u>
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**NET POSITION**

Net Investment in Capital Assets	32,643,052
Restricted	18,863,823
Unrestricted (Deficit)	<u>(29,946,303)</u>
Total Net Position	<u>\$ 21,560,572</u>

See Accompanying Notes to the Basic Financial Statements.

SAYVILLE UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b><u>FUNCTIONS/PROGRAMS</u></b>				
General Support	\$ 12,578,734	\$	\$	\$ (12,578,734)
Instruction	69,960,065	443,476	1,607,348	(67,909,241)
Pupil Transportation	3,568,367			(3,568,367)
Community Service	111,562			(111,562)
Debt Interest Expense	1,054,662			(1,054,662)
School Lunch Program	<u>1,077,136</u>	<u>847,081</u>	<u>243,340</u>	<u>13,285</u>
Total Functions and Programs	<u>\$ 88,350,526</u>	<u>\$ 1,290,557</u>	<u>\$ 1,850,688</u>	<u>\$ (85,209,281)</u>
 <b><u>GENERAL REVENUES</u></b>				
Real Property Taxes				51,886,355
Other Tax Items Including STAR Reimbursement				6,973,472
Use of Money and Property				1,851,153
Sale of Property and Compensation for Loss				143,972
Miscellaneous				331,379
Federal Sources				86,261
State Aid-General				<u>24,642,868</u>
Total General Revenues				<u>85,915,460</u>
Change in Net Position				706,179
Total Net Position - Beginning of Year				<u>20,854,393</u>
Total Net Position - End of Year				<u>\$ 21,560,572</u>

See Accompanying Notes to the Basic Financial Statements.

SAYVILLE UNION FREE SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General	Special Aid	School Lunch	Capital Projects	Governmental Total
<b>ASSETS</b>					
Cash	\$ 10,306,346	\$ 387,463	\$ 196,106	\$ 237,883	\$ 11,127,798
Restricted Cash	18,904,303	-	-	-	18,904,303
State and Federal Aid Receivable	1,437,619	1,254,691	12,792	-	2,705,102
Due From Other Funds	3,228,768	-	-	-	3,228,768
Due From Fiduciary	1	-	-	-	1
Accounts Receivable	59,548	-	2,047	-	61,595
Inventories	-	-	18,813	-	18,813
<b>Total Assets</b>	<b>\$ 33,936,585</b>	<b>\$ 1,642,154</b>	<b>\$ 229,758</b>	<b>\$ 237,883</b>	<b>\$ 36,046,380</b>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Liabilities	\$ 1,666,484	\$ 88,878	\$ 31,507	\$ -	\$ 1,786,869
Accrued Interest Payable	32,483	-	-	-	32,483
BAN's Payable	-	-	-	4,000,000	4,000,000
Bond Interest and Matured Bonds	40,480	-	-	-	40,480
Due To Other Funds	50	1,550,753	19,431	1,658,534	3,228,768
Due To Other Governments	-	-	43	-	43
Due To NYS Teachers' Retirement System	4,433,478	-	-	-	4,433,478
Due To NYS Employees' Retirement System	376,667	-	-	-	376,667
Compensated Absences Payable	288,777	-	8,460	-	297,237
Unearned Revenue	20,068	2,523	30,325	-	52,916
<b>Total Liabilities and Unearned Revenue</b>	<b>\$ 6,858,487</b>	<b>\$ 1,642,154</b>	<b>\$ 89,766</b>	<b>\$ 5,658,534</b>	<b>\$ 14,248,941</b>
<b>Fund Balances:</b>					
Nonspendable	-	-	18,813	-	18,813
Restricted	199,628	-	-	-	199,628
Bonded Debt	7,561,853	-	-	-	7,561,853
Employee Benefit Accrued Liability	7,557,481	-	-	-	7,557,481
Retirement Contribution	2,201,631	-	-	-	2,201,631
Workers' Compensation	719,380	-	-	-	719,380
Unemployment Insurance	623,850	-	-	-	623,850
Tax Reduction	-	-	-	-	-
Assigned:					
Appropriated Fund Balance:	2,111,497	-	-	-	2,111,497
Designated for subsequent year's budget	2,155,000	-	-	-	2,155,000
Other	-	-	121,179	-	121,179
Unassigned	3,947,778	-	-	(5,420,651)	(1,472,873)
<b>Total Fund Balances</b>	<b>\$ 27,078,098</b>	<b>\$ -</b>	<b>\$ 139,992</b>	<b>\$ (5,420,651)</b>	<b>\$ 21,797,439</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 33,936,585</b>	<b>\$ 1,642,154</b>	<b>\$ 229,758</b>	<b>\$ 237,883</b>	<b>\$ 36,046,380</b>

See Accompanying Notes to the Basic Financial Statements

SAYVILLE UNION FREE SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2016

Total Governmental Fund Balances	\$	21,797,439
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Original cost of capital assets	\$ 112,332,315	
Accumulated depreciation	<u>(53,986,340)</u>	58,345,975

Net Pension Asset related to NYS Teachers' Retirement System. This asset does not appear on the funds balance sheet as it represents a long term asset.	21,862,535
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Governmental funds report the issuance costs and similar items when debt is first issued, whereas the loss on refunding is amortized and treated as a deferred outflow of resources in the Statement of Net Position.	281,735
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable-including premium on refunding	20,344,933	
Energy Performance Contract	5,639,725	
Accrued interest on bonds payable	82,479	
Compensated absences (less portion in General Fund)	7,486,639	
Net Pension Liability-ERS	5,398,241	
Net OPEB obligation	<u>43,196,373</u>	(82,148,390)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to NYSTRS (\$4,346,050) and NYSERS (\$5,310,695)	9,656,745	
Deferred inflows of resources related to NYSTRS (\$7,593,129) and NYSERS (\$642,338)	<u>(8,235,467)</u>	<u>1,421,278</u>

Total Net Position	\$	<u><u>21,560,572</u></u>
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See Accompanying Notes to the Basic Financial Statements.

SAYVILLE UNION FREE SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS FOR YEAR ENDED JUNE 30, 2016

	Governmental Fund Types				Governmental Funds Total
	General	Special Aid	School Lunch	Capital Projects	
<b>Revenues:</b>					
Real Property Taxes	\$ 51,886,355	\$ -	\$ -	\$ -	\$ 51,886,355
Real Property Tax Items (Including STAR Reimbursement)	6,973,472	-	-	-	6,973,472
Charges for Services	443,476	-	-	-	443,476
Use of Money and Property	1,851,045	-	108	-	1,851,153
Sale of Property and Compensation for Loss	143,972	-	-	-	143,972
Medicaid	86,261	-	-	-	86,261
Miscellaneous	306,123	-	7,256	18,000	331,379
State and Local Sources	24,642,868	691,535	12,248	-	25,346,651
Federal Sources	-	915,813	168,335	-	1,084,148
Surplus Food	-	-	62,757	-	62,757
Sales-School Breakfast and Lunch Program	-	-	847,081	-	847,081
Total Revenues	86,333,572	1,607,348	1,097,785	18,000	89,056,705
<b>Expenditures:</b>					
Current:					
General Support	9,769,710	-	-	-	9,769,710
Instruction	47,236,545	1,613,779	-	-	48,850,324
Pupil Transportation	3,400,512	139,620	-	-	3,540,132
Community Services	77,277	-	-	-	77,277
Employee Benefits	19,137,457	30,991	83,702	-	19,252,150
Cost of Sales	-	-	1,005,877	-	1,005,877
Debt Service:					
Principal	4,128,394	-	-	-	4,128,394
Interest	1,102,950	-	-	-	1,102,950
Capital Outlay	-	-	-	6,252,249	6,252,249
Total Expenditures	84,852,845	1,784,390	1,089,579	6,252,249	93,979,063
Excess (Deficiency) of Revenues Over Expenditures	1,480,727	(177,042)	8,206	(6,234,249)	(4,922,358)
<b>Other Sources and (Uses):</b>					
Operating Transfers In	3,533	177,042	-	800,000	980,575
Operating Transfers Out	(977,042)	-	-	(3,533)	(980,575)
Total Other Sources (Uses)	(973,509)	177,042	-	796,467	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other (Uses)	507,218	-	8,206	(5,437,782)	(4,922,358)
Fund Balance Beginning of Year	26,570,880	-	131,786	17,131	26,719,797
Fund Balance End of Year	\$ 27,078,098	\$ -	\$ 139,992	\$ (5,420,651)	\$ 21,797,439

See Accompanying Notes to the Basic Financial Statements.

SAYVILLE UNION FREE SCHOOL DISTRICT  
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	\$	(4,922,358)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<b>Capital Related Differences:</b>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.</p>		
Capital outlays	\$ 6,484,395	
Depreciation expense	<u>(3,690,986)</u>	2,793,409
<b>Long-Term Debt Transaction Differences</b>		
<p>Repayment of bond principal and energy performance contract obligations is an expenditure in the government funds, but it reduces the long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>		
Serial bonds	3,684,000	
Energy performance	<u>444,394</u>	4,128,394
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the government funds because interest is recorded as an expenditure in funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due.</p>		
Accrued interest for June 30, 2015 to June 30, 2016 decreased by		19,467
<p>Government funds report the issuance costs and similar items when debt is issued, whereas premium on refunding as well as a deferred charge on refunding is amortized for the Statement of Activities.</p>		
Amortization of premiums on refundings	85,473	
Amortization of deferred charges on refundings	<u>(56,652)</u>	28,821
<b>Long-Term Expense Differences</b>		
<p>In the Statement of Activities, certain operating expenses are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.</p>		
Compensated absences changed by	311,029	
Increase in Postemployment benefits (Net OPEB Obligation)	<u>6,446,221</u>	(6,757,250)
<p>Governmental funds report retirement system contributions as expenditures. Increases/decreases in the proportionate share of net pension asset/liability and related inflows/outflows do not use current resources and therefore are not reported in governmental funds.</p>		
Teachers' Retirement System	5,788,702	
NYSLRS-ERS	<u>(373,006)</u>	<u>5,415,696</u>
Changes in Net Position of Governmental Activities	\$	<u><u>706,179</u></u>

See Accompanying Notes to the Basic Financial Statements

SAYVILLE UNION FREE SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2016

	Private Purpose Fund	Agency Fund
<b>ASSETS</b>		
Cash	\$ 562,433	\$ 424,656
Total Assets	<u>562,433</u>	<u>424,656</u>
<b>LIABILITIES</b>		
Extraclassroom Activity Balances	-	178,304
Group Insurance and Benefits	-	106,570
Due to Other Funds	-	1
Other Liabilities	-	139,781
Total Liabilities	<u>-</u>	<u>\$ 424,656</u>
<b>NET POSITION</b>		
Held in Trust For:		
Endowment Scholarships	562,433	
Total Net Position	<u>\$ 562,433</u>	

See Accompanying Notes to the Basic Financial Statements.

SAYVILLE UNION FREE SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Fund</u>
<b>ADDITIONS</b>	
Gifts and Donations	\$ 41,175
Interest	546
Total Additions	<u>41,721</u>
<b>DEDUCTIONS</b>	
Scholarship Expenses	<u>15,735</u>
Total Deductions	<u>15,735</u>
Change in Net Position	25,986
Net Position- Beginning	<u>536,447</u>
Net Position- Ending	<u>\$ 562,433</u>

See Accompanying Notes to the Basic Financial Statements.

**Note 1 – Summary of certain significant accounting policies:**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are 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. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to, public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity is based on criteria set forth by GASB Statement 61, *The Financial Reporting Entity: Omnibus--an amendment of GASB No. 14 and No. 34*. This statement modifies certain requirements for the financial reporting entity to address since the issuance of GASB Statement No. 14. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a reporting financial entity.

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, a financial benefit or burden relationship 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 the assets held by it as agent for the Extraclassroom organizations in the Statement of Net Position – Fiduciary Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

**B) Joint venture:**

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

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

A BOCES’ budget is comprised of separate budgets for administrative, program and capital costs. Each component district’s share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate. During the year ended June 30, 2016, the District was billed \$5,116,963 for administrative and program costs. Financial statements for BOCES are available from the BOCES Administrative Offices.

**C) Basis of presentation:**

**i) Government-wide financial statements:**

The Statement of Net Position and the Statement of Activities present financial information about the District’s governmental activities. These statements include the financial activities of the overall government in its entirety, except

Sayville Union Free School District  
Notes to Basic Financial Statements  
Year Ended June 30, 2016

those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column, if applicable, reflects capital-specific grants.

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

ii) **Fund financial statements:**

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

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

**Debt Service Fund:** This fund is to show the details of the current refunding and will show no fund balance.

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

**Capital Projects Funds:** 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 or construction of capital facilities and other capital assets.

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**Fiduciary Fund:** This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the Government-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

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

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

**D) Measurement focus and basis of accounting:**

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

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

**E) Cash and 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 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. Investments are stated at fair value.

**F) Property taxes:**

Real property taxes are levied annually by the Board of Education no later than November 1, and become a lien on December 1. Taxes were collected by the Town(s) and remitted to the District. Uncollected real property taxes are subsequently enforced by Suffolk County.

**G) Accounts Receivable:**

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

**H) Inventories and prepaid items:**

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventorial items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the District for which benefits extend beyond year-end.

**I) Due to/from other funds:**

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these Notes.

**J) Capital assets:**

Capital assets are reported at actual cost where available. In certain cases, historical costs have been estimated based on appraisals conducted by an independent appraisal company. Donated assets are reported at estimated fair market value at the time received.

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The District's capitalization policy is as follows:

There is a threshold in place of \$1,000, which indicates the dollar value at and above which an acquisition is added to the capital assets report. However, all costs, regardless of the amount, are included for Land. No depreciation is calculated on Construction-in-progress until completion.

	Depreciation <u>Method</u>	Estimated <u>Useful Life</u>
Buildings/Building Improvements	Straight Line	15-50 years
Site Improvements	Straight Line	20 years
Equipment and Vehicles	Straight Line	5-20 years

**K) Vested employee benefits – Compensated absences:**

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis.

Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Statement 16, Accounting for Compensated Absences, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

**L) Other benefits:**

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

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing

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health insurance by recording its share of insurance premiums as expenditure in the General Fund. In the Government-wide statements, postemployment costs are measured and disclosed using the accrual basis of accounting in accordance with GASB Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additional information on the retirement system in accordance with GASB Statement No. 68 is found in Note 10.

**M) Equity Classifications:**

Government-wide statements

In the government-wide statements there are three categories of net position:

*Net Investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to those assets are to be included in this component as well.

*Restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

*Unrestricted* consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.net position

Fund Statements

Fund balances are reported in accordance with GASB Statement No. 54. The intention of the Statement to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balance, nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of a permanent fund. The District has inventories and prepaid expenses that are considered nonspendable.

In addition to nonspendable fund balance GASB 54 has provided a hierarchy of four spendable fund balances, based on a hierarchy of spending constraints that impact the District.

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- Restricted:

Fund balances that are constrained by external parties, constitutional provisions or enabling legislation. A discussion of the Restricted amounts follows:

**Reserve for Retirement Contribution**

Retirement Contribution Reserve (GML§6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve is accounted for in the General Fund.

**Workers' Compensation Reserve**

Workers' Compensation Reserve (GML§6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program.

The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the General Fund.

**Reserve for Debt Service**

Mandatory reserve for debt service (GML§6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. Unexpended balances of proceeds of borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest are recorded in the reserve for debt and held until appropriated for debt payments. The reserve is accounted for in the General Fund.

**Reserve for Employee Benefit Accrued Liability**

Reserve for Employee Benefit Accrued Liability (GML§6-p) is used to reserve funds for the payment of accrued employee benefit due to an employee upon the termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary

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appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

**Reserve for Unemployment Insurance**

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

**Reserve for Tax Reduction**

This reserve is authorized under Education Law (Education Law Section 1604 (36 and Section 1709 (37))and permits the District to retain the proceeds from the sale of school district real property that are not needed to pay any debts. The proceeds are used to reduce real property taxes over a period not to exceed ten years. It may be established and expended without voter approval. This reserve was established in the current year with the sale of a library building. Such reserve is accounted for in the General Fund.

- **Committed:**

Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority are committed. The District has no funds classified as committed.

- **Assigned:**

Fund balances that contain self-imposed constraints of the government to be used for a particular purpose are assigned. This will include an amount appropriated to partially fund the subsequent year's budget as well as encumbrances, not otherwise classified as restricted.

- **Unassigned:**

Fund balance of the general fund that is not constrained for a particular purpose is unassigned.

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

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

In circumstances where an expenditures is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g. expenditures related to reserves) the expenditure is spent first from the restricted fund balance to the extent appropriated by either the budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

**N) Budgetary procedures and budgetary accounting:**

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

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. 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.

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.

The General Fund is the only fund with a legally authorized appropriated budget.

**O) Encumbrances:**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriation, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as appropriated fund balance since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. Refer to Note 14 for additional information.

**P) Unearned revenue:**

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

**Q) 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period.

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

**R) Short-term debt:**

The District may issue 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 TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

S) **Long-term liabilities:**

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

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

**Note 2 – Explanation of Certain Differences Between the Governmental Fund Statements and District-wide Statements:**

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

A) **Total fund balances of governmental fund vs. net position of governmental activities:**

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

i) **Long-Term Revenue and Expense Differences**

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement

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of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modification accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital Related Differences

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

iii) Long-Term Debt Transaction Differences

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

**Note 3 – Stewardship and Compliance:**

The District's unreserved-undesignated fund balance was slightly in excess (4.38%) 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.

**Note 4 – Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency:**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as previously discussed in these Notes. Governmental Accounting Standards Board Statement #40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit 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 school districts. During the fiscal year 2016, the District has invested in deposits within the above-described parameters.

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In order to give an indication of the level of risk assumed by the District, bank balances are classified by the following categories:

- (1) Insured or collateralized with securities held by the District or by its agent in the District's name.
- (2) Collateralized with securities held by the pledging financial institution's trust department or Agent in the District's name.
- (3) Uncollateralized (This includes any balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.)

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year-end. The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District does not typically purchase investments dominated in foreign currency, and is not exposed to foreign currency risk.

Restricted Cash represents amounts at year end that are set aside at June 30, 2016 for specific restricted reserves.

**Note 5 – Capital assets:**

**Capital asset balances and activity for the year ended June 30, 2016:**

Capital Assets That Are Not Depreciated:				
Land	\$ 305,740	\$ -	\$ -	\$ 305,740
Construction in Progress	152,268	5,448,368	(152,268)	5,448,368
Total Nondepreciable Cost	<u>\$ 458,008</u>	<u>\$ 5,448,368</u>	<u>\$ (152,268)</u>	<u>\$ 5,754,108</u>
Capital Assets That Are Depreciated:				
Buildings/Building Improvements	\$ 99,200,424	\$ 906,424	\$ -	\$ 100,106,848
Site Improvements	1,046,084		-	1,046,084
Machinery and Equipment	4,454,057	266,042	-	4,720,099
Vehicles	689,347	15,829	-	705,176
Total Depreciable Cost	<u>105,389,912</u>	<u>1,188,295</u>	<u>-</u>	<u>106,578,207</u>
<b>Less:</b>				
Accumulated Depreciation:				
Buildings/Building Improvements	46,673,068	3,336,545	-	50,009,613
Site Improvements	608,894	22,764	-	631,658
Machinery and Equipment	2,540,739	284,865	-	2,825,604
Vehicles	472,653	46,812	-	519,465
Total Accumulated Depreciation	<u>50,295,354</u>	<u>3,690,986</u>	<u>-</u>	<u>53,986,340</u>
Total Depreciable-Net	<u>\$ 55,094,558</u>	<u>\$ (2,502,691)</u>	<u>\$ -</u>	<u>\$ 52,591,867</u>
Grand Total	<u>\$ 55,552,566</u>	<u>\$ 2,945,677</u>	<u>\$ (152,268)</u>	<u>\$ 58,345,975</u>

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Depreciation has been allocated to governmental functions as follows:

General Support	\$	200,975
School Lunch Program		6,413
Instruction		<u>3,483,598</u>
Total Depreciation Expense	\$	<u><u>3,690,986</u></u>

**Note 6 – Construction and Lease of Library Building:**

On November 1, 2006 the voters of the Sayville Union Free School District approved the construction of a Library. This building will be constructed by the Library in accordance with the proposition. The School District will lease the Library Building to the Library and the Library will rent and lease such interest under the terms of an Agreement dated January 10, 2008.

Custody of the Bond Proceeds was held in the name of the School District. The “Rent” for the School District’s leasehold interest is directly related to the reimbursement for principal and interest on the outstanding bonds. The Library construction is now complete and included in Capital Assets.

**Note 7 – Short-term debt:**

The District may issue Tax Anticipation Notes (TANs) prior to the receipt of tax revenue. In addition, Bond Anticipation Notes (BANs) may be issued to finance certain capital projects. While such notes are payable one year after issuance, Bond Anticipation Notes may be refinanced over a five-year period through note renewals and principal reductions. A \$4,000,000 BAN was issued September 29, 2015 @ 1.50% interest to mature on September 29, 2016. There were no short term debt borrowings at the beginning of the fiscal year.

**The Long Term Debt Schedule is on the following page**

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**Note 8- Long-term debt:**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Bonds Payable/Contracts:</b>					
Serial Construction Bonds	\$ 23,584,000	\$ -	\$ 3,684,000	\$ 19,900,000	\$ 1,775,000
Premium on Issues	530,406	-	85,473	444,933	85,473
Energy Performance Contract	6,084,119	-	444,394	5,639,725	458,909
<b>Total Bonds Payable/Contracts</b>	<b>30,198,525</b>	<b>-</b>	<b>4,213,867</b>	<b>25,984,658</b>	<b>2,319,382</b>
<b>Other Liabilities:</b>					
Compensated Absences	7,235,648	621,568	73,340	7,783,876	297,237
Net Pension Liability -ERS	1,140,098	4,258,143	-	5,398,241	-
		\$			
<b>Total Long-Term Liabilities</b>	<b>\$ 38,574,271</b>	<b>\$ 4,879,711</b>	<b>\$ 4,287,207</b>	<b>\$ 39,166,775</b>	<b>\$ 2,616,619</b>

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

**Advance Refunding-Prior-Fiscal 2012-2013**

In a prior year, the District issued \$11,050,000 of 2012 Refunding Bonds at an interest rate varying between 2.00%-4.00% maturing on April 15, 2021.

The reacquisition price (amount put in escrow) \$11,571,739 exceeded the net carrying amount of the old debt by \$451,739 and is an economic loss on refunding. This deferred outflow, being amortized, is shown on the Statement of Net Position. The premium received on refunding \$642,217 is amortized over the life of the new debt. The remaining balance of \$369,275 is included in the long term debt- serial bond schedule.

As of June 30, 2013, \$11,120,000 of outstanding Serial Bonds-2002, Series A, B, C and D are considered defeased.

**Advance Refunding-Prior Year 2014-2015**

During 2014-2015 the District issued \$1,225,000 of 2015 Refunding Bonds at an interest rate of 3% maturing on June 15, 2025 to refund \$1,225,000 of 2005 Serial Bonds maturing June 15, 2025 and bearing interest at 4.000-4.250%).

The reacquisition price (amount put in escrow) \$1,250,039 exceeded the net carrying amount of the old debt by \$25,039 and is an economic loss on refunding. The premium received on refunding \$86,167 is amortized over the life of the new debt and the remaining balance of \$75,658 is included in the long term debt- serial bond schedule.

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The loss on refunding is amortized and shown as a Deferred Outflow of Resources in accordance with GASB Statement No. 65.

As of June 30, 2015, \$1,225,000 of outstanding Serial Bonds-2005 is considered defeased.

**Serial Bonds:**

Serial bonds outstanding will mature in installments, including interest as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 1,775,000	\$ 771,177	\$ 2,546,177
2018	1,790,000	707,803	2,497,803
2019	1,830,000	643,258	2,473,258
2020	1,900,000	576,250	2,476,250
2021	1,770,000	506,912	2,276,912
2022-2026	7,435,000	1,616,025	9,051,025
2027-2029	3,400,000	247,312	3,647,312
	<u>\$ 19,900,000</u>	<u>\$ 5,068,737</u>	<u>\$ 24,968,737</u>

Original Amount	Year of Issue	Year of Maturity	Interest Rates %	Balance
\$ 12,988,600	2008	2028	4.125-4.500	\$ 8,400,000
11,650,000	2010	2029	3.000-4.000	8,300,000
11,050,000 R	2012	2021	3.000-4.000	1,840,000
299,000	2014	2019	1.000-2.100	245,000
1,225,000 R	2015	2025	3.000-3.000	1,115,000
				<u>\$ 19,900,000</u>

R =Refunding

The following is a summary of amortization of the amounts on refunding:

Fiscal Year	2012 Premium on Refunding		2015 Deferred Outflow	
2017	\$ 77,066	\$ 8,407	\$ 54,209	\$ 2,443
2018	77,066	8,407	54,209	2,443
2019	77,066	8,407	54,209	2,443
2020	77,066	8,407	54,209	2,443
2021	61,011	8,406	42,913	2,443
2022-2025		33,624		9,771
	<u>\$ 369,275</u>	<u>\$ 75,658</u>	<u>\$ 259,749</u>	<u>\$ 21,986</u>

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**Energy Performance Contract:**

Financing is provided @3.240% for a 15 year energy performance contract provided by Johnson Controls (Equipment).

Fiscal Year	Principal	Interest	Total
2017	\$ 458,909	\$ 179,040	\$ 637,949
2018	473,898	164,051	637,949
2019	489,376	148,572	637,948
2020	505,360	132,588	637,948
2021	521,867	116,081	637,948
2022-2026	2,876,427	313,315	3,189,742
2027	313,888	5,085	318,973
	<u>\$ 5,639,725</u>	<u>\$ 1,058,732</u>	<u>\$ 6,698,457</u>

Interest on long-term debt, after adjustment for accruals and refunding amounts amortized, amounted to \$1,032,665 and interest on short term borrowing amounted to \$21,997.

**Note 9 – Interfund balances and activity:**

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 3,228,769	\$ 50	\$ 3,533	\$ 977,042
School Lunch Fund	-	19,431		
Special Aid Fund	-	1,550,753	177,042	
Capital Projects Fund	<u>                    </u>	<u>1,658,534</u>	<u>800,000</u>	<u>3,533</u>
Total Governmental Activities	\$ <u>3,228,769</u>	\$ <u>3,228,768</u>	\$ <u>980,575</u>	\$ <u>980,575</u>
Agency Fund	<u>21</u>	<u>22</u>	<u>-</u>	<u>-</u>
Grand Totals	\$ <u>3,228,790</u>	\$ <u>3,228,790</u>	\$ <u>980,575</u>	\$ <u>980,575</u>

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

**Note 10– Pension plans:**

**Teachers’ Retirement System-(TRS)**

**Plan Description**

The New York State Teachers’ Retirement System (NYSTRS or the “System” is the administrator of a cost-sharing, multiple-employer public employee retirement system (PERS), administered by a 10-member Board to provide pension and ancillary benefits to teachers employed by participating employers in the State of New York, excluding New York City. For additional Plan information, please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the System’s website located at [www.nystrs.org](http://www.nystrs.org).

**Benefits**

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor’s approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

**Tier 1**-Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

**Tier 2**-Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provision of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law.

**Tier 3**-Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 15 and Article 15 of the Retirement and Social Security Law.

**Tier 4**-Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the Retirement and Social Security Law.

**Tier 5**-Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the Retirement and Social Security Law.

**Tier 6**-Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the Retirement and Social Security Law.

**Service Retirements**

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary. Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive a unreduced benefit for retirement at age 62 or retirement

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at ages 55 through 61 with 30 years of service or a reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at ages 55-56 regardless of service credit, or 57-61 with less than 30 years of service.

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

### **Vested Benefits**

Retirement benefits vest after 5 years of credited service except for Tiers 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations noted for service retirements above.

### **Disability Retirement**

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the Retirement and Social Security Law. The Tier 3 benefit is integrated with Social Security.

### **Death Benefits**

Death Benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

### **Prior Service**

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tiers 1 and 2 members may, under certain conditions, claim out of state service.

### **Tier Reinstatement**

In accordance with Chapter 640 of the Laws of 1998, any active members who had a prior membership may elect to be reinstated to their original date and tier of membership.

### **Article 19 Benefit Enhancement**

Article 19 of the Retirement and Social Security Law allows eligible Tiers 1 and 2 members to receive additional service credit of one twelfth of a year for each year of

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retirement credit as of the date of retirement or death up to a maximum of two additional years. Effective October 2000, Tier 3 and 4 members are no longer required to make 3% contributions after obtaining the earlier of 10 or more years of service credit or 10 or more years of membership.

**Permanent Cost of Living Adjustment (COLA)**

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of the annual benefit. The applicable percentage payable beginning September 2014 is 1.0%, remaining unchanged from the 1.0% paid beginning September 2013.

Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the Retirement and Social Security Law are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3% .

**Contributions:**

**Employer Contributions**

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate applicable to member salaries and adopted annually by the Retirement Board. Employer contributions for the current year and the two preceding years were equal to 100 percent of the contributions required and were as follows:

	<u>TRS</u>
2016	\$ 4,332,578
2015	5,542,546
2014	4,993,713

**Member Contributions**

Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Tier 5 members are required by law to contribute 3.5% of salary through their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active

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membership in accordance with a schedule based upon salary earned. Pursuant to Article 15 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulate member contributions can be withdrawn or are paid as a life annuity.

**Collective Net Pension Liability (Asset) and Actuarial Information**

The components of the collective net pension liability (asset) of the participating school districts at June 30, 2015 (measurement date for TRS) was as follows:

	<b>2015</b>
Total pension liability	\$ 99,332,103,743
System fiduciary net position	<u>109,718,916,659</u>
School districts' net pension liability (asset)	\$ <u>(10,386,812,916)</u>
System fiduciary net position as a percentage Of Total pension liability	110.46%

**(a) Actuarial Assumptions**

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension liability to June 30, 2015. The actuarial valuations used the following actuarial assumptions:

Inflation	3%
Projected salary increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

<u>Age</u>	<u>Female</u>	<u>Male</u>
25	10.35%	10.91%
35	6.26	6.27
45	5.39	5.04
55	4.42	4.01

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Projected COLAs	1.625 % compounded annually
Investment rate of return	8.0% compounded annually, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

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

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the valuation dates of June 30, 2014 is summarized in the following table:

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long Term Expected Real Rate of return</u>
Domestic Equity	37%	6.5%
International Equity	18	7.7
Real Estate	10	4.6
Alternative Investments	7	9.9
Domestic Fixed Income	17	2.1
Global Fixed Income	2	1.9
Mortgages	8	3.4
Short term	1	1.2
	<u>100%</u>	

\*Real rates of return are net of the long-term inflation assumption of 2.3% for 2014.

**(b) Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution

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rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**(c) Sensitivity of the District's Net Pension Liability (Asset) to Changes in the Discount Rate**

The following presents the net pension liability (asset) of the Sayville Union Free School District calculated using the discount rate of \*8.0% as well as what the school district's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	7.0%	Current * 8.0%	9.0%
June 30, 2015	\$ 1,491,307	(\$ 21,862,535)	(\$ 41,778,459)

**District Deferred Outflows of Resources and Deferred Inflows of Resources**

*Differences Between Expected and Actual Experience*

Differences between expected and actual experience with regard to economic and demographic factors are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits. The average of the expected remaining lives of all employees that are provided with pension benefits through the System is 9.6 years for 2014 and 9.4 years for 2015.

*Changes of Assumptions*

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits. There were no changes of assumptions.

*Net Difference Between Projected and Actual Earnings on Pension Plan Investments*

Differences between projected and actual earnings on pension plan investments are amortized over a closed 5-year period.

*Changes in Proportion*

The change in proportion is based on a measure that compares the individual employer to the employers and other contributing entities collectively—the employer's

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proportion. Changes are amortized over future periods equal to the remaining service lives of all employees that are provided with benefits through the pension plan.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 605,904
Net difference between projected and actual earnings on pension plan investments	-	6,910,861
Changes in proportion	13,472	76,364
Contributions subsequent to the measurement date*	4,332,578	-
	<u>\$ 4,346,050</u>	<u>\$ 7,593,129</u>

\*The amount of contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the District year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown below:

Year ended June 30:	
2017	(\$ 2,795,144)
2018	( 2,795,144)
2019	( 2,795,144)
2020	1,141,584
2021	( 83,247)
Thereafter	( 252,562)

**Pension Expense**

Pension expense includes certain period changes in the District's net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. As of June 30, 2016 the District had a pension expense (revenue) of (\$1,453,586) based on the measurement date.

## **Payables**

The amount shown in the financial statements as Due to NYS Teachers' Retirement System represents a short term liability for an accrual of contractually required contributions for the current fiscal period.

## **Employees' Retirement System (ERS)**

### **Plan Description and Benefits Provided**

The Sayville Union Free School District participates in the New York State and Local Employees' Retirement System (ERS) which is referred to as the "System". This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all 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. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2014 he was elected for a new term commencing on January 1, 2015. 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 employer 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 obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244 or accessed at [www.osc.state.ny.us/retire/about\\_us/financial\\_statements\\_index.php](http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php).

### **Contributions**

There are six tiers of membership. The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System 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 generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employer' contributions based on salaries paid during the Systems fiscal year ending March 31. Employer contributions for the current year and the two preceding years were equal to 100 percent of the contributions required and were as follows:

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	<u>ERS</u>
2016	\$ 1,675,282
2015	1,813,609
2014	1,898,597

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported a liability of \$5,398,241 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2016 the District's proportion was 0.0336333 percent. For the year ended June 30, 2016, the District recognized pension expense of \$2,002,965 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>
Differences between expected and actual experience	\$ 639,871	\$ 27,279
Net Difference between projected and actual Investment earnings on Pension Plan investments	-	3,202,533
Changes in proportion and differences between Employer contributions and proportionate share of Contribution	2,467	267,840
Changes of assumptions	-	1,439,548
Contributions subsequent to the measurement date*	-	373,495
	<u>\$ 642,338</u>	<u>\$ 5,310,695</u>

\*The amount of contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability shown in the financials for the District's fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense for the Plan Year as shown below:

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Year ended March 31:	
2017	\$ 1,096,440
2018	\$ 1,096,440
2019	\$ 1,096,440
2020	\$ 1,005,542

**Actuarial Assumptions**

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions:

Investment rate of return	7.0% compounded annually, net of investment expenses
Salary scale-ERS	3.8% indexed by service
Decrements tables	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Inflation rate	2.5%
Mortality Improvement	Society of Actuaries Scale MP-2014
Cost of Living Adjustment	1.3% annually

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected 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 the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below.

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-term Expected Real Rate of return</u>
Domestic Equity	38%	7.30%
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return Strategies	3	6.75
Opportunistic Portfolio	3	8.60
Real Assets	3	8.65
Bonds & Mortgages	18	4.00
Cash	2	2.25
Inflation-Indexed Bonds	2	4.00
	<u>100%</u>	

**Discount Rate**

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

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

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

	<b>Current Assumption</b>		
	6.0%	7.0%	8.0%
District’s proportionate share of the net pension liability	\$ 12,172,642	\$ 5,398,241	\$ ( 325,838)

**Deferred Outflows of Resources and Deferred Inflows of Resources**

- *Difference in Expected and Actual Experience –*

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five year closed period for ERS. Remaining years (after the first year of amortization) is shown as a deferred outflow of resources and is part of the amount to be amortized in future Plan years as shown above.

- *Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments –*

The difference between the Systems’ expected rate of return of 7.5% and actual investment earnings on pension plan investments is amortized over a five-year closed period. Remaining years (after the first year of amortization) is shown as a deferred outflow of resources and is part of the amount to be amortized in future Plan years as shown above.

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- *Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions –*

The change in employer proportionate share is the amount of difference between the employer's proportionate share of net pension liability in the prior year compared to the current year. This difference is amortized over a five-year closed period for ERS. Remaining years (after the first year of amortization) is shown as a deferred inflow of resources and is part of the amount to be amortized in future Plan years as shown above.

- *Changes of Assumptions-*

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period. During the measurement period beginning April 1, 2015, there was a change of assumptions.

**Pension Plan Fiduciary Net Position**

The components of the current year net pension liability of the employers as of March 31, 2016, were as follows:

	(Dollars in Thousands)
Employers' total pension liability	\$ 172,303,544
Plan Net Position	<u>(156,253,265)</u>
Employers' total pension liability	\$ <u>16,050,279</u>
System fiduciary net position as a percentage of total pension liability	90.7%

**Payable to the Pension Plan**

The amount shown on the financial statements as Due to NYS Employees' Retirement System represents a short term liability for an accrual of contractually required contributions for the period April 1, 2016-June 30, 2016.

**Note 11- Postemployment Benefits:**

The District provides postemployment health insurance coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels and employee contributions are governed by the District's contractual agreements. An outside actuarial firm determined the valuation for Sayville UFSD as of June 30, 2015 with disclosures as of June 30, 2016.

**Plan Description**

The school district acquires health insurance through a New York State Health Insurance Plan (NYSHIP). The Plan is a single-employer defined benefit healthcare plan administered by New York State. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. Benefits provided by NYSHIP are administered by United Health Care and Blue Cross Blue Shield. NYSHIP plan covers medical and pharmaceutical costs. Many of the services in the NYSHIP plan require co-payments at various levels depending on the nature of the service. The school district provides Medicare B and D reimbursements for retirees and their dependents. Benefits are provided at retirement for employees at age 55 who meet the required service and eligibility requirements.

**Funding Policy**

The contribution requirements of Empire Plan members and the District are established and may be amended by the District. The District pays varying premium amounts for retirees, depending on coverage selected and date of retirement, and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are accrued. Currently there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

The OPEB cost (expense) is based on the annual required contribution of the employer (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

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**Annual OPEB Cost and Net OPEB Obligation (NOO)**

	\$	
Annual Required Contribution (ARC)	10,736,096	
Interest on NOO	1,470,006	
Adjustment to ARC	<u>(2,043,946)</u>	
Annual OPEB cost	10,162,156	
Contributions made	<u>(3,715,935)</u>	
Increase in OPEB obligation	6,446,221	
Net OPEB obligation-beginning of year	<u>36,750,152</u>	
Net OPEB obligation-end of year	\$ <u>43,196,373</u>	
Annual OPEB cost	\$ 10,162,156	
Percentage of annual OPEB cost contributed	36.6%	
Net OPEB obligation-end of year	\$ 43,196,373	

**Funded Status**

Actuarial Accrued Liability (AAL)	\$ 125,371,775
Actuarial value of assets	0
Unfunded Actuarial Accrued Liability	\$ 125,371,775
Funded Ratio (Assets as a percentage of AAL)	0%
Annual covered payroll	\$ 39,350,737
UAAL as a percentage of covered payroll	318.6%

**Funded Status and Funding Progress**

The District's annual OPEB cost, the percentage of annual OPEB cost contributions to the Plan and the net OPEB obligation for 2016 and the preceding two years follows:

Year Ended June 30	Annual Required Contribution	Annual OPEB Cost	OPEB Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	\$	\$	\$		\$
2014	10,192,018	9,538,107	4,609,342	48.3%	31,381,242
2015	10,192,018	9,359,244	3,990,334	42.6%	36,750,152
2016	10,736,096	10,162,156	3,715,935	36.6%	43,196,373

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As of June 30, 2016, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$125,371,775, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$125,371,775. The covered payroll (annual payroll of active employees covered by the plan) was \$39,350,737 and the ratio of the UAAL to the covered payroll was 318.6%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### **Actuarial Methods and Assumptions**

The outside actuarial firm used the Projected Unit Credit cost method to prepare its valuation. The actuarial assumptions included a 4% investment rate of return and the mortality is based on the RP-2014 Mortality Table adjusted to the 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2015. Mortality Improvement is projected to date of decrement using Scale MP-2015 (generational mortality). The Unfunded Accrued Liability is amortized each year over a constant 30 year period, as a level dollar amount.

Projections of benefits are based on the plan as understood by the employer and plan members and include benefits in force at the valuation date. Retirement contributions are based on job classification, type of coverage and date of retirement.

#### **Health Care Cost Trend Rates**

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The medical trend is 8.0% in 2015, decreasing 0.5% per year to an ultimate rate of 5.0% in 2021.

Health care trend rates reflect both the current and long-term outlook for increases in health care costs. The short-term rates are based on recent industry surveys, plan experience and near-term expectations. The long-term trend rate is based on general inflation assumptions of 3% (based on long-term historical inflation numbers) plus 2% to reflect expectations for long-term medical inflation.

Sayville Union Free School District  
Notes to Basic Financial Statements  
Year Ended June 30, 2016

**Note 12 – Risk Management:**

**General Information**

The Sayville Union Free School District is exposed to various risks of loss. These risks are covered by commercial insurance purchased from independent third parties.

**Note 13– Operating Leases**

The District leases equipment under various non-cancelable leases. The rental expense for 2016 was \$471,094. The minimum annual rentals for each of the remaining years of the leases are:

Fiscal Year Ending June 30	Amount
2017	\$ 558,215
2018	489,649
2019	240,286
2020	139,358
2021	87,121
	\$ 1,514,629

**Note 14 – Commitments and Contingencies**

**(A) Grants**

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

**(B) Encumbrances**

Assigned: Unappropriated Fund Balance – General Fund

General Support	\$ 1,245,561
Instruction	797,756
Pupil Transportation	15,208
Employee Benefits	52,972
TOTAL	\$ 2,111,497

**(C) Litigation**

The District engages general counsel and labor counsel. Lawsuits arise from the normal conduct of its affairs. Reported lawsuits were either dismissed or result in being the obligation of a third party. Management believes that the outcome of any matters will not have a material effect on these financial statements. The following has been highlighted by legal inquiry:

Suffolk School Employees Health Plan

The Sayville Union Free School District was part of a self-insured health benefits plan (SSEHP) until January 1, 2015. Presently there is a pending legal matter involving funds collected by the Voluntary Employees Beneficiary Association (“VEBA”) for the payment of claims. The District contends certain funds should be returned but, to be conservative, has set up an amount for any potential open health claims.

**Note 15 – Subsequent Events**

Events and transactions are evaluated through the date of the financial report, October 11, 2016.

SAYVILLE UNION FREE SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND  
 JUNE 30, 2016

REVENUES	Original	Final	Actual	Over (Under)	
	Budget	Budget	Revenues	Budget	
Local Sources					
Real Property Taxes	\$ 52,326,645	\$ 52,056,645	\$ 51,886,355	\$ (170,290)	
Real Property Tax Items (Including STAR Reimbursement)	6,798,268	6,798,268	6,973,472	175,204	
Charges for Services	384,228	384,228	443,476	59,248	
Use of Money and Property	1,751,496	1,751,496	1,851,045	99,549	
Sale of Property and Compensation for Loss	6,100	6,100	143,972	137,872	
Miscellaneous	145,500	145,500	306,123	160,623	
Total Local Sources	61,412,237	61,142,237	61,604,443	462,206	
State Sources	24,513,500	24,528,500	24,642,868	114,368	
Federal Aid	125,000	125,000	86,261	(38,739)	
Interfund Transfer	-	-	3,533	3,533	
Total Revenues	86,050,737	85,795,737	86,337,105	541,368	
Prior year's encumbrances	2,263,307	2,263,307	-	-	
Appropriated Fund Balance (\$2,376,600) and Reserves (\$1,247,688)	3,354,288	3,624,288	-	-	
Total Revenues and Appropriated Fund Balance	\$ 91,668,332	\$ 91,683,332			
EXPENDITURES	Original	Final	Actual	Encumbrances	Unencumbered
General Support:	Budget	Budget	Expenditures		Balance
Board of Education	\$ 64,049	\$ 69,991	\$ 57,856	\$ 4,333	\$ 7,802
Central Administration	347,107	347,687	347,348	42	297
Finance	1,093,816	1,171,973	1,064,300	78,538	29,135
Staff	733,071	732,098	682,486	31,076	18,536
Central Services	7,861,691	8,593,904	6,778,533	1,131,572	683,799
Special Items	896,514	889,094	839,187	-	49,907
Total General Support	10,996,248	11,804,747	9,769,710	1,245,561	789,476
Instruction:					
Instruction, Administration and Improvement	3,286,495	3,440,856	3,147,111	31,990	261,755
Teaching - Regular School	24,597,633	24,567,010	24,050,670	71,707	444,633
Programs for Children with Handicapping Conditions	12,470,433	12,414,027	11,487,191	299,755	627,081
Occupational Education	560,000	560,000	334,719	-	225,281
Teaching - Special Schools	132,284	135,613	118,380	55	17,178
Instructional Media	4,355,953	4,541,434	4,012,453	386,295	142,686
Pupil Services	4,372,989	4,349,277	4,086,021	7,954	255,302
Total Instruction	49,775,787	50,008,217	47,236,545	797,756	1,973,916
Pupil Transportation	3,796,770	3,803,697	3,400,512	15,208	387,977
Community Services	115,618	115,618	77,277	-	38,341
Employee Benefits	20,566,400	19,700,927	19,137,457	52,972	510,498
Debt Service					
Principal	4,123,394	4,128,394	4,128,394	-	-
Interest	1,294,115	1,121,732	1,102,950	-	18,782
Subtotal	5,417,509	5,250,126	5,231,344	-	18,782
Interfund Transfers	1,000,000	1,000,000	977,042	-	22,958
Total Expenditures	\$ 91,668,332	\$ 91,683,332	\$ 85,829,887	\$ 2,111,497	\$ 3,741,948
Excess Revenues / Expenditures			\$ 507,218		

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 supplementary schedules included in auditor's report.

SAYVILLE UNION FREE SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS-POSTEMPLOYMENT BENEFITS PLAN  
 JUNE 30, 2016

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Plan Assets</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a % of Payroll</u>
12/31/2007	\$ 68,287,017	\$ -	\$ 68,287,017	\$ -	\$ 36,714,601	186.0%
12/31/2009	106,852,152	-	106,852,152	-	36,440,730	293.2%
12/31/2011	112,409,679	-	112,409,679	-	37,961,207	296.1%
12/31/2013	105,847,649	-	105,847,649	-	39,152,686	270.3%
7/1/2015	125,371,775	-	125,371,775	-	39,350,737	318.6%

See paragraph on supplementary schedules included in auditor's report

SAYVILLE UNION FREE SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION ASSET  
 AND SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
 TEACHERS' RETIREMENT SYSTEM  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY:**

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Proportionate % of the net pension liability	0.208039%	0.210484%
Proportionate share of the net pension liability (asset)	\$ (23,174,206)	\$ (21,862,535)
Covered employee payroll -measurement date basis	\$ 31,191,401	\$ 31,859,812
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(74.30%)	(68.62%)
Plan fiduciary net position as a percentage of the total pension liability	111.48%	110.46%

Amounts presented above were determined as of June 30, 2014 and June 30, 2015 measurement dates.

**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS:**

Contractually required contribution	\$ 5,540,182	\$ 5,542,546
Contribution in relation to the contractually required contribution	5,540,182	5,542,546
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll-fiscal year basis	\$ 31,191,401	\$ 31,859,812
Contributions as a percentage of covered employee payroll	17.76%	17.40%

Additional years will be presented as they become available for a full 10-year trend.

See Accompanying Notes to Financial Statements.

REFER TO NOTES TO THE FINANCIAL STATEMENTS (NOTE 10-PENSION PLANS) FOR ADDITIONAL INFORMATION ON THE PENSION PLAN-TRS.

See paragraph on required supplementary schedules in auditor's report

SAYVILLE UNION FREE SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 AND SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
 EMPLOYEES' RETIREMENT SYSTEM  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY:**

	<u>March 31, 2015</u>	<u>March 31, 2016</u>
Proportionate % of the net pension liability	0.0337482%	0.0336333%
Proportionate share of the net pension liability (asset)	\$ 1,140,098	\$ 5,398,241
Covered employee payroll -measurement date basis	\$ 9,495,326	\$ 9,935,285
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	12.0%	54.3%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%

Amounts presented above were determined as of March 31, 2015 and March 31, 2016 measurement dates.

**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS:**

Contractually required contribution	\$ 1,813,609	\$ 1,675,282
Contribution in relation to the contractually required contribution	1,813,609	1,675,282
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll-fiscal year basis	\$ 9,845,874	\$ 9,974,321
Contributions as a percentage of covered employee payroll	18.4%	16.8%

Additional years will be presented as they become available for a full 10-year trend.

See Accompanying Notes to Financial Statements.

REFER TO NOTES TO THE FINANCIAL STATEMENTS (NOTE 10 PENSION PLANS) FOR ADDITIONAL INFORMATION ON THE PENSION PLAN-ERS.

See paragraph on required supplementary schedules in auditor's report

SAYVILLE UNION FREE SCHOOL DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET-GENERAL FUND  
 AND THE REAL PROPERTY TAX LIMIT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$	89,405,025
Add: Prior year's encumbrances		2,263,307
Original Budget		<u>91,668,332</u>
Budget Revisions		<u>15,000</u>
Final Budget		<u><u>91,683,332</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 voter-approved expenditure budget		
Maximum Fund Balance allowed (4% of 2016-17 budget or \$3,604,779)	\$	<u><u>\$90,119,477</u></u>

Unrestricted fund balance:		
Assigned fund balance	\$	4,266,497
Unassigned fund balance		<u>3,947,778</u>
Total unrestricted fund balance		<u>8,214,275</u>
Less:		
Appropriated fund balance		2,155,000
Encumbrances included in assigned fund balance		<u>2,111,497</u>
Total adjustments		<u>4,266,497</u>
General Fund Balance Subject to Section 1318 of Real Property Law	\$	3,947,778

Actual percentage 4.38%

See paragraph on supplementary schedules included in auditor's report.

SAYVILLE UNION FREE SCHOOL DISTRICT  
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
 JUNE 30, 2016

PROJECT TITLE	Appropriation		Prior Year's	Expenditures to Date		Unexpended Balance
	Original	Revised		Current Year	Total	
HS Dugout & Security	\$ 158,944	\$ 158,944	\$ 152,268	\$ 6,676	\$ 158,944	\$ -
Emergency Boilers - Cherry Avenue	200,000	200,000	189,545	737	190,282	9,718
* 2016 Bond Issue - District Wide Improvements	-	818,000	-	6,248,369	6,248,369	(5,430,369)
<b>Total</b>	<b>\$ 358,944</b>	<b>\$ 1,176,944</b>	<b>\$ 341,813</b>	<b>\$ 6,255,782</b>	<b>\$ 6,597,595</b>	<b>\$ (5,420,651)</b>

\* The residents of the District approved a \$19.2 million bond authorization for Districtwide improvements on May 19, 2015. The current deficit fund balance will be eliminated when permanent financing is received.

SAYVILLE UNION FREE SCHOOL DISTRICT  
 SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES  
 COMPARED TO ST-3 DATA  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
<b>REVENUES</b>			
Property Taxes	A - 1001	\$ 51,886,355	\$ 51,886,355
Non-property Taxes	AT - 1199	-	-
State Aid	AT - 3999	24,642,868	24,642,868
Federal Aid	AT - 4999	86,261	86,261
Total Revenues	AT - 5999	86,337,105	86,337,105
 <b>EXPENDITURES</b>			
General Support	AT - 1999	9,769,710	9,769,710
Pupil Transportation	AT - 5599	3,400,512	3,400,512
Debt Service - Principal	AT - 9798.6	4,128,394	4,128,394
Debt Service - Interest	AT - 9798.7	1,102,950	1,102,950
Total Expenditures	AT - 9999	85,829,887	85,829,887

See paragraph on supplementary schedules included in auditor's report.

SAYVILLE UNION FREE SCHOOL DISTRICT  
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2016

Capital Assets, Net		\$ 58,345,975
Deduct:		
Short-term Portion of Bonds Payable	\$ 1,775,000	
Long-term Portion of Bond Payable	18,125,000	
Short-term Portion of Energy Performance Contract	458,909	
Long-term Portion of Energy Performance Contract	5,180,816	
Unamortized Portion of Deferred Refunding Premium,	444,933	
Less Deferred Charge on Refunding	<u>(281,735)</u>	<u>(25,702,923)</u>
Net Investment in Capital Assets		<u>\$ 32,643,052</u>

See paragraph on supplementary schedules included in auditor's report.



# Pappas & Company

CERTIFIED PUBLIC ACCOUNTANTS

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***Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards***

*The Board of Education  
Sayville Union Free School District  
Sayville, 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 Sayville Union Free School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 11, 2016.*

***Internal Control over Financial Reporting***

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

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

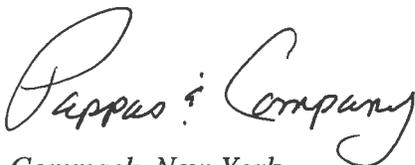
*Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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



*Commack, New York  
October 11, 2016*