

**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, 2015**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report	
Management’s Discussion and Analysis (MD&A)	1
Basic Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
Statement of Fiduciary Net Position – Fiduciary Funds	22
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	23
Notes to the Basic Financial Statements	24
Required Supplementary Information other than MD&A:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	59
Schedule of Funding Progress-Postemployment Benefits Plan	60
Schedule of Employer’s Proportionate share of the Net Pension Liability and Schedule of Employer’s Contributions	61
Other Supplementary Information:	
Schedule of Change from Adopted Budget to Final Budget-General Fund, Use of Unassigned Fund Balance-General Fund and the Real Property Tax Limit	62
Schedule of Project Expenditures – Capital Projects Fund	63
Schedule of Certain Revenues and Expenditures Compared to ST-3 Data	64
Schedule of Net Investment in Capital Assets	65
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>.	



Pappas & Company

CERTIFIED PUBLIC ACCOUNTANTS

3 Rensselaer Drive • Commack, NY 11725

(631) 462-0660 • Fax (631) 462-8664

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, 2015, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2015, 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.

Emphasis-of-Matter

During this fiscal period the District implemented a new accounting standard, Governmental Accounting Standards Board Statement No. 68-Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27. Additionally, Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date is to be implemented simultaneously. Refer to Note 10 to the financial statements for details. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, the budgetary comparison schedules and the schedule of funding progress-post employment benefits plan, 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.

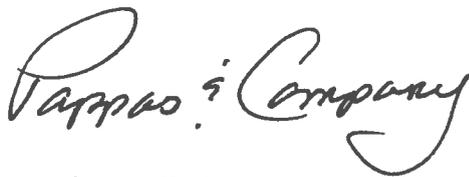
Supplementary Information

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 15, 2015 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.



Commack, New York
October 15, 2015

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, 2015. We would encourage readers to consider the information presented in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

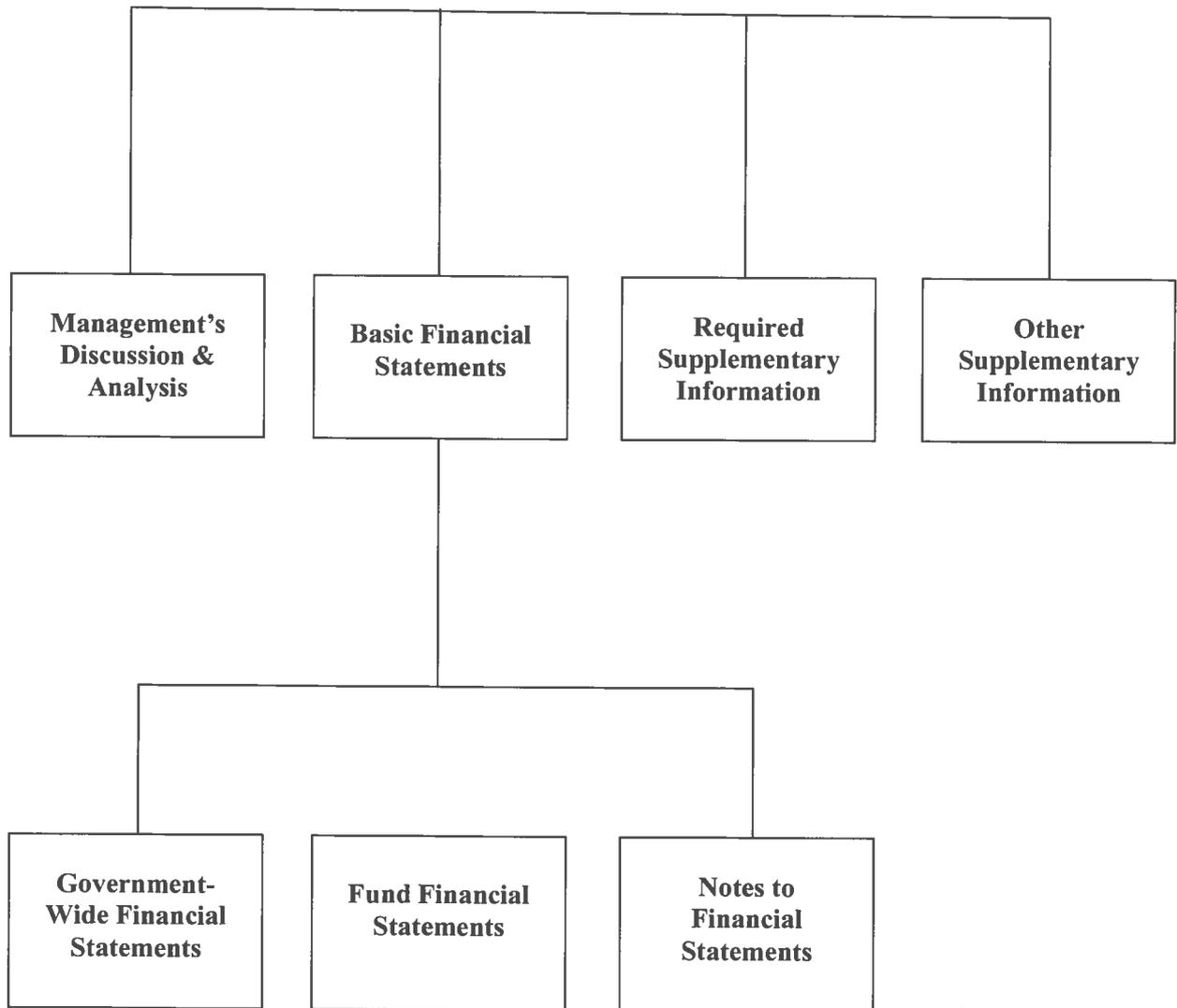
- Government-wide net position at June 30, 2015 was \$20,854,393. (For details please refer to Exhibit 1 in the Financial Statement section).
- Overall general revenues for all funds were \$87,303,601, which were greater than expenditures by \$3,108,473 thus increasing the District's net position. (See 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, 2015 was \$26,570,880. Of this amount, \$3,353,406 is available for spending at the government's discretion (unassigned).
- Principal paid down on outstanding serial bond debt amounted to \$3,550,000.
- For 2015-2016, the District continues to offer all programs. The proposed 2015-2016 budget in the amount of \$89,405,025 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:

TABLE A-2			
	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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes In Fiduciary Net Position
Accounting Basis and measurement focus	Accrual accounting and Economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/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, 2015, than it was the year before, increasing by \$3,108,473. Refer to (*) below.

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

	<u>Governmental Activities</u>		Total Percentage Change
	<u>2015</u>	Restated <u>2014</u>	
<u>Assets:</u>			
Current and Other Assets	\$ 35,094	\$ 34,475	
Capital Assets-net	55,552	57,869	
Net Pension Asset-TRS	23,174	1,387	
Total Assets	<u>113,820</u>	<u>93,731</u>	<u>21.43 %</u>
<u>Deferred Outflows of Resources</u>	<u>6,677</u>	<u>5,815</u>	<u>14.82 %</u>
<u>Liabilities and Unearned Revenue:</u>			
Current Liabilities	12,690	11,743	
Net Pension Liability-ERS	1,140	1,525	
Long Term Liabilities	69,910	68,532	
Total Liabilities/Unearned Revenue	<u>83,740</u>	<u>81,800</u>	<u>2.37 %</u>
<u>Deferred Inflows of Resources</u>	<u>15,903</u>	<u>-</u>	<u>N/A</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	25,692	24,364	
Restricted	18,355	16,720	
Unrestricted	(23,193)	(23,338)	
Net Position	<u>\$ 20,854</u>	<u>\$ 17,746</u>	<u>17.51 %</u>

*As a result of the implementation of Governmental Accounting Standard Board Statement No. 68, the opening Net Position was restated from \$ 12,437,401 to \$17,745,920--more fully explained in the notes to the financial statements (Note 1-T).

In 2015, Current and Other 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, which exceeded additions, serves to reduce the total Capital assets.

The Net Pension Asset is provided by the New York State Teachers' Retirement System for implementation of GASB No. 68.

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 for the initial implementation of GASB No. 68.

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 impacted the increase.

- Capital assets valued here are net of depreciation.
- Liabilities include all school district debt and long-term compensated absences as well as other postemployment benefit obligations.
- 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 less than the depreciation by \$2,316,999. However, the financing related to the assets decreased by \$3,644,559.
- Restricted resources of \$18,355,022 are composed of amounts detailed under “Financial Analysis of the District’s Funds”.
- The unrestricted resources remaining in the amount of (\$23,193,057) 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 2015 and 2014 follows in Table A-4.

2014 information has not been restated because all the information necessary was not readily available. The cumulative effect of applying the change in accounting principle is shown as an adjustment to beginning Net Position-Refer to Note 1-T as well as the Note on Pension Plans.

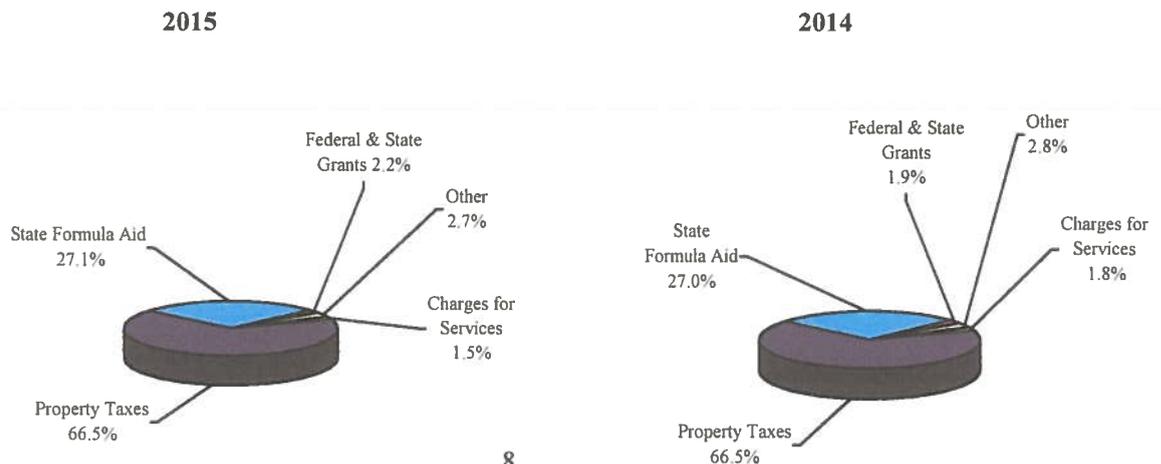
Table A-4
Changes In Net Position From Operating Results (in thousands of dollars)

	Governmental Activities		Total Percentage Change
	2015	2014	
Revenues			
Program Revenues			
Charges for Services	\$ 1,337	\$ 1,517	
Operating Grants	1,896	1,636	
General Revenues			
Property Taxes and Tax Items	58,040	57,287	
State Formula Aid	23,688	23,298	
Other	2,342	2,430	
Total Revenues	\$ 87,303	\$ 86,168	1.32%
Expenses			
General Support	12,305	13,767	
Instruction	65,954	72,086	
Pupil Transportation	3,480	3,708	
Community Service	139	188	
Debt Interest	1,170	1,305	
Debt Issuance Costs	61	-	
School Lunch Program	1,086	1,128	
Total Expenses	84,195	92,182	(8.66%)
Increase/(Decrease) in Net Position	3,108	(6,014)	
Net Position -beginning of year	17,746	18,451	
Net Position-end of year	\$ 20,854	\$ 12,437	67.68%

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.

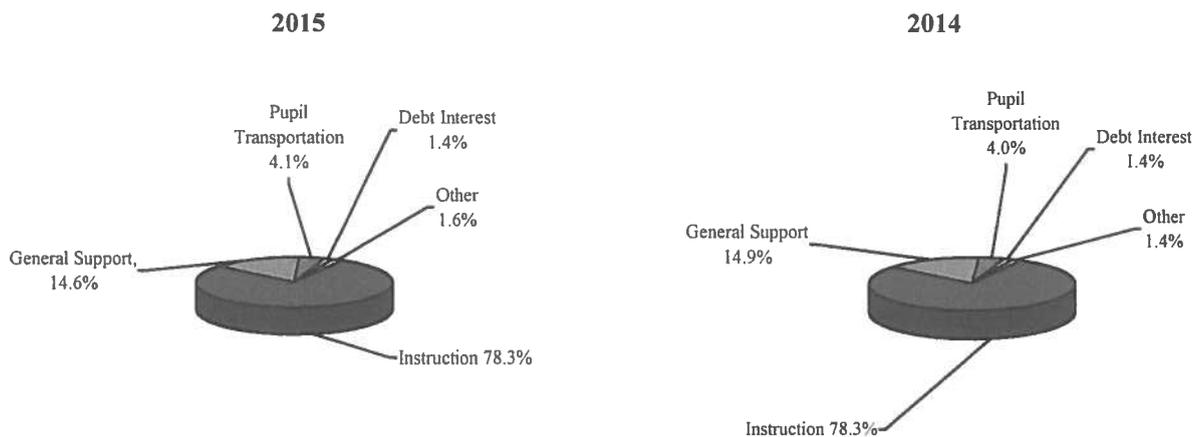
Table A-5
Source of Revenues for Governmental Activities Fiscal Year



Expenses

The District's expenses are predominantly related to general support, instruction and transporting students. The District's general support activities accounted for 14.6 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.
- Careful review and analysis of expenditure trends and cost control measures have resulted in the District presenting, and the Community approving, a 2015-16 Budget that was \$646,200 lower than the previous school year.
- The good fiscal health of the District is further demonstrated by the ability to maintain adequate service levels during fiscal downturns and the ability to adjust to long-term 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 two years the Monitoring System has been in place.
- In a recent 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 nine (9) out of the last eleven (11) 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.

Table A-7
Net Cost of Governmental Activities (in thousands of dollars)

	2015		2014	
	Total Cost	Net Cost	Total Cost	Net Cost
General Support	\$ 12,305	\$ 12,305	\$ 13,767	\$ 13,767
Instruction	65,954	63,843	72,086	70,133
Pupil Transportation	3,480	3,480	3,708	3,708
Debt Interest	1,170	1,170	1,305	1,305
Debt Issuance Costs	61	61	-	-
Community Service	139	139	188	188
School Lunch	1,086	(35)	1,128	(73)
Total	\$ 84,195	\$ 80,963	\$ 92,182	\$ 89,028

- Most of the net costs of \$80,962,527 were financed by District’s taxpayers and government aid.
- The total costs of all government activities this year was \$84,195,128.
- The users of the District’s programs funded \$1,336,813 of the cost by “charges for services”. Operating grants of \$1,895,788 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, 2015, the District’s governmental funds reported a combined fund balance of \$26,719,797, which is a decrease of \$185,934 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:

	2015	2014	Increase (Decrease)
General Fund			
Nonspendable	\$ 222,545	\$ -	\$ 222,545
Restricted for:			
Bonded debt	236,963	295,140	(58,177)
Tax Reduction	823,850	1,073,850	(250,000)
Employee benefit accrued liability	7,465,039	7,518,561	(53,522)
Retirement contribution	6,888,159	5,050,211	1,837,948
Workers' compensation	2,186,631	1,786,631	400,000
Unemployment insurance	754,380	777,523	(23,143)
Subtotal-Restricted	18,355,022	16,501,916	1,853,106
Assigned:			
Designated fund balance for subsequent year's budget	2,376,600	4,109,654	(1,733,054)
General Government expenditures	2,263,307	2,521,099	(257,792)
Unassigned	3,353,406	3,473,107	(119,701)
	<u>26,570,880</u>	<u>26,605,776</u>	<u>(34,896)</u>
School Lunch Fund			
Nonspendable: Inventory	22,164	24,233	(2,069)
Assigned	109,622	54,058	55,564
	<u>131,786</u>	<u>78,291</u>	<u>53,495</u>
Capital Projects Fund			
Restricted for bonded/EPC projects	-	217,659	(217,659)
Assigned:			
Unappropriated fund balance	17,131	4,006	13,125
	<u>17,131</u>	<u>221,665</u>	<u>(204,534)</u>
	<u>\$ 26,719,797</u>	<u>\$ 26,905,732</u>	<u>\$ (185,935)</u>

A. General Fund

The net change in the general fund – fund balance is a decrease of \$34,896 as revenues of \$84,504,177 were less than expenditures of \$84,539,073.

B. School Lunch Fund

The school lunch fund had an ending balance of \$131,786 whereas the fund had a balance of \$78,291 the prior year. Nonspendable inventory amounted to \$22,164.

C. Capital Projects Fund

The net change in the capital projects fund – fund balance was (\$204,534) for project expenditures used part of the existing fund balance.

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) 2014-2015 Budget

The District's general fund adopted budget for the year ended June 30, 2015 was \$90,353,594. This amount was increased by encumbrances carried forward from the prior year in the amount of \$2,521,099 for a final budget of \$92,874,693.

The actual results for the year show an excess of expenditures over revenue in the amount of (\$34,896).

(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	\$	3,473,107
Revenues Over Budget		536,294
Restricted Reserves Appropriated		(1,973,688)
Expenditures and Encumbrances under budget		6,072,313
Increase in nonspendable fund balance		(222,545)
Changes in Restricted Fund Balance		(1,853,106)
Additional Designated for June 30,2015 budget		(302,369)
Assigned, Designated for June 30, 2016 budget		(2,376,600)
Closing, Unassigned Fund Balance	\$	<u>3,353,406</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 2015-2016 budget. The actual unassigned fund balance for the period ending 6/30/15 is \$3,353,406. This amount represents 3.75% of the 2015-2016 budget.

There were changes in revenue (plus and minus) that accounted for the Revenues over budget of \$536,294. State sources \$362,430 and Miscellaneous \$173,133 contributed to the amount over budget.

In accordance with Schedule SS-1, the total unencumbered balance equaled \$6,072,313. 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 \$826,109. 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 \$87,053.
 - A budgetary savings of approximately \$46,043 was achieved in the area of Security. These savings resulted from fewer residency investigations/hearings and the effective use of security guards at special district events.
 - Budgetary savings of approximately \$79,170 achieved in contractual facility repairs and supply costs which resulted from work performed by District staff having specific expertise in various areas of construction.
 - An Energy Performance contract was completed in the 2012-13 school year. Continued energy consumption savings and lower energy costs into the 2014-15 year was approximately \$518,872.
- Of the \$3,110,184 savings under Instruction, the greatest savings were experienced in Teaching-Regular School (\$694,264) and Programs for Children with Handicapping Conditions (\$1,344,816).
 - In the area of Teaching-Regular School, the budgetary savings is attributable to several reasons, such as personnel changes and retirements, along with a decrease in anticipated contingent instructional and instructional support staff, coupled with cutting off spending prior to the end of the school year.
 - 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, coupled with effective use of Special Education outside consultants and internal support staff.
- Employee Benefits shows an unencumbered balance of \$1,438,550. The predominant savings was in health costs which, in part, is due to the District moving from a self-insured health plan to the NYSHIP Governmental Plan on January 1, 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2015, the District had invested \$55,552,566 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

\$3,653,380 and additions to building improvements and machinery and equipment amounted to \$1,359,669 including a rollover of Construction in Progress of \$23,288.

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

	Governmental Activities	
	2015	2014
Land	\$ 306	\$ 306
Construction in Progress	152	23
Buildings	52,527	54,728
Site Improvements	437	460
Machinery/Equipment/Vehicles	2,130	2,352
Total	\$ 55,552	\$ 57,869

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 \$19,900,000 (non-current portion) of general obligation bonds adjusted for the non-current portion of premium related of \$444,933 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.

Table A-9
Outstanding Long-Term Debt (in thousands of dollars)

	Fiscal Year	
	2015	2014
Serial Bonds	\$ 20,345	\$ 23,736
Net Pension Liability-ERS	1,140	1,525 *
Energy Performance Contract	5,640	6,084
Compensated Absences	7,176	7,331
Net OPEB Obligation	36,750	31,381
Total	\$ 71,051	\$ 70,057

*Restated amount for GASB 68 implementation

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 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 31st CPI. CPI is currently trending about .2% and is not projected to grow much higher by December 2015. Therefore, it is anticipated that the CPI used for the 2016-17 levy cap calculation may be as low as 0%. Sayville's new Pilot Project 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 1

SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS

Current Assets:	
Cash	\$ 20,126,174
Restricted Cash	11,363,039
Accounts Receivable	28,339
State and Federal Aid Receivable	3,331,371
Due from Fiduciary Fund	26
Prepaid Expenses	222,545
Inventories	22,164
Total Current Assets	<u>35,093,658</u>
Non-Current Assets:	
Net Pension Asset-TRS	23,174,206
Capital Assets-Not Being Depreciated	458,008
Capital Assets Being Depreciated, Net of Accumulated Depreciation	55,094,558
Total Assets	<u>113,820,430</u>

DEFERRED OUTFLOWS

Deferred Charge on Refunding	338,387
Deferred Outflows Related to Pensions	6,338,646
Total Deferred Outflows of Resources	<u>6,677,033</u>

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities	2,068,496
Bond Interest and Matured Bonds	41,983
Accrued Interest Payable-Bonds	101,946
Due to Other Governments	295
Serial Bonds Payable - Due Within One Year	3,769,473
Energy Performance Contract - Due Within One Year	444,393
Due To NYS Teachers' Retirement System	5,668,584
Due to NYS Employees' Retirement System	471,415
Compensated Absences Payable-Due Within One Year	60,038
Unearned Revenue	63,050
Total Current Liabilities and Unearned Revenue	<u>12,689,673</u>
Non-Current Liabilities:	
Serial Bonds Payable	20,344,933
Energy Performance Contract	5,639,726
Net Pension Liability-ERS	1,140,098
Net OPEB Obligation	36,750,152
Compensated Absences Payable	7,175,610
Total Non-Current Liabilities	<u>71,050,519</u>
Total Liabilities and Unearned Revenue	<u>83,740,192</u>

DEFERRED INFLOWS

Deferred Inflows Related to Pensions	<u>15,902,878</u>
--------------------------------------	-------------------

NET POSITION

Net Investment in Capital Assets	25,692,428
Restricted	18,355,022
Unrestricted (Deficit)	(23,193,057)
Total Net Position	<u>\$ 20,854,393</u>

See Accompanying Notes to the Basic Financial Statements.

SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2015

	<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>	
<u>FUNCTIONS/PROGRAMS</u>				
General Support	\$ 12,304,440	\$	\$	\$ (12,304,440)
Instruction	65,954,269	456,047	1,655,670	(63,842,552)
Pupil Transportation	3,480,002			(3,480,002)
Community Service	139,473			(139,473)
Debt Interest Expense	1,170,336			(1,170,336)
Debt Issuance Costs	61,128			(61,128)
School Lunch Program	1,085,480	880,766	240,118	35,404
Total Functions and Programs	<u>\$ 84,195,128</u>	<u>\$ 1,336,813</u>	<u>\$ 1,895,788</u>	<u>\$ (80,962,527)</u>
<u>GENERAL REVENUES</u>				
Real Property Taxes				51,307,070
Other Tax Items Including STAR Reimbursement				6,733,058
Use of Money and Property				1,769,250
Sale of Property and Compensation for Loss				155,909
Miscellaneous				257,165
Medicare Reimbursement				62,979
Federal Sources				87,873
Donated Assets				9,749
State Aid-General				23,687,947
Total General Revenues				<u>84,071,000</u>
Change in Net Position				3,108,473
Total Net Position - Beginning of Year-Restated				<u>17,745,920</u>
Total Net Position - End of Year				<u>\$ 20,854,393</u>

See Accompanying Notes to the Basic Financial Statements.

SAYVILLE UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	Governmental Funds					Total
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
ASSETS						
Cash	\$ 19,474,720	\$ 389,559	\$ 180,474	\$ -	\$ 81,421	\$ 20,126,174
Restricted Cash	11,363,039	-	-	-	-	11,363,039
State and Federal Aid Receivable	2,227,341	1,089,043	14,987	-	-	3,331,371
Due From Other Funds	1,338,166	-	-	-	29	1,338,195
Due From Fiduciary	26	-	-	-	-	26
Accounts Receivable	26,433	-	1,906	-	-	28,339
Prepaid Expenditures	222,545	-	-	-	-	222,545
Inventories	-	-	22,164	-	-	22,164
Total Assets	\$ 34,652,270	\$ 1,478,602	\$ 219,531	\$ -	\$ 81,450	\$ 36,431,853
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ 1,808,466	\$ 155,380	\$ 40,331	\$ -	\$ 64,319	\$ 2,068,496
Bond Interest and Matured Bonds	41,983	-	-	-	-	41,983
Due To Other Funds	29	1,318,746	19,420	-	-	1,338,195
Due To Other Governments	-	-	295	-	-	295
Due To NYS Teachers' Retirement System	5,668,584	-	-	-	-	5,668,584
Due To NYS Employees' Retirement System	471,415	-	-	-	-	471,415
Compensated Absences Payable	60,038	-	-	-	-	60,038
Unearned Revenue	30,875	4,476	27,699	-	-	63,050
Total Liabilities and Unearned Revenue	\$ 8,081,390	\$ 1,478,602	\$ 87,745	\$ -	\$ 64,319	\$ 9,712,056
Fund Balances:						
Nonspendable	222,545	-	22,164	-	-	244,709
Restricted	-	-	-	-	-	-
Bonded Debt	236,963	-	-	-	-	236,963
Employee Benefit Accrued Liability	7,465,039	-	-	-	-	7,465,039
Retirement Contribution	6,888,159	-	-	-	-	6,888,159
Workers' Compensation	2,186,631	-	-	-	-	2,186,631
Unemployment Insurance	754,380	-	-	-	-	754,380
Tax Reduction	823,850	-	-	-	-	823,850
Assigned:						
Appropriated Fund Balance:						
Designated for subsequent year's budget	2,376,600	-	-	-	-	2,376,600
Other	2,263,307	-	109,622	-	17,131	2,390,060
Unassigned	3,353,406	-	-	-	-	3,353,406
Total Fund Balances	\$ 26,570,880	\$ -	\$ 131,786	\$ -	\$ 17,131	\$ 26,719,797
Total Liabilities and Fund Balances	\$ 34,652,270	\$ 1,478,602	\$ 219,531	\$ -	\$ 81,450	\$ 36,431,853

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, 2015

Total Governmental Fund Balances	\$	26,719,797	
Amounts reported for governmental activities in the Statement of Net Position are different because:			
<p>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.</p>			
Original cost of capital assets	\$	105,847,920	
Accumulated depreciation		<u>(50,295,354)</u>	55,552,566
<p>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.</p>			
			23,174,206
<p>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.</p>			
			338,387
<p>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:</p>			
Bonds payable-including premium on refunding		24,114,406	
Energy Performance Contract		6,084,119	
Accrued interest on bonds payable		101,946	
Compensated absences (less portion in General Fund)		7,175,610	
Net Pension Liability-ERS		1,140,098	
Net OPEB obligation		<u>36,750,152</u>	(75,366,331)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:</p>			
Deferred outflows of resources related to NYSTRS (\$5,555,426) and NYSERS (\$783,220)		6,338,646	
Deferred inflows of resources related to NYSTRS		<u>(15,902,878)</u>	(9,564,232)
Total Net Position	\$		<u><u>20,854,393</u></u>

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, 2015

	Governmental Fund Types					Governmental Funds Total
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
Revenues:						
Real Property Taxes	\$ 51,307,070	\$ -	\$ -	\$ -	\$ -	\$ 51,307,070
Real Property Tax Items (Including STAR Reimbursement)	6,733,058	-	-	-	-	6,733,058
Charges for Services	456,047	-	-	-	-	456,047
Use of Money and Property	1,769,156	-	94	-	-	1,769,250
Sale of Property and Compensation for Loss	155,909	-	-	-	-	155,909
Medicare Reimbursement	62,979	-	-	-	-	62,979
Miscellaneous	243,133	2,649	11,383	-	-	257,165
State and Local Sources	23,687,947	644,629	13,039	-	-	24,345,615
Federal Sources	87,873	1,011,041	171,426	-	-	1,270,340
Surplus Food	-	-	55,653	-	-	55,653
Sales-School Breakfast and Lunch Program	-	-	880,766	-	-	880,766
Total Revenues	84,503,172	1,658,319	1,132,361	-	-	87,293,852
Expenditures:						
Current:						
General Support	9,703,357	-	-	-	-	9,703,357
Instruction	44,623,563	1,643,054	-	-	-	46,266,617
Pupil Transportation	3,323,062	129,814	-	-	-	3,452,876
Community Services	95,252	-	-	-	-	95,252
Employee Benefits	20,724,658	60,377	84,163	-	-	20,869,198
Cost of Sales	-	-	994,703	-	-	994,703
Debt Service:						
Principal	3,980,338	-	-	-	-	3,980,338
Interest	1,213,917	-	-	-	-	1,213,917
Debt Issuance Costs	-	-	-	61,128	-	61,128
Capital Outlay	-	-	-	-	1,202,529	1,202,529
Total Expenditures	83,664,147	1,833,245	1,078,866	61,128	1,202,529	87,839,915
Excess (Deficiency) of Revenues Over Expenditures	839,025	(174,926)	53,495	(61,128)	(1,202,529)	(546,063)
Other Sources and (Uses):						
Operating Transfers In	1,005	174,926	-	-	700,000	875,931
Operating Transfers Out	(874,926)	-	-	-	(1,005)	(875,931)
Proceeds of New Bond Issue	-	-	-	-	299,000	299,000
Bonds Issued on Refunding	-	-	-	1,225,000	-	1,225,000
Premium on Refunding	-	-	-	86,167	-	86,167
Payment to Bond Escrow Agent	-	-	-	(1,250,039)	-	(1,250,039)
Total Other Sources (Uses)	(873,921)	174,926	-	61,128	997,995	360,138
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other (Uses)	(34,896)	-	53,495	-	(204,534)	(185,935)
Fund Balance Beginning of Year	26,605,776	-	78,291	-	221,665	26,905,732
Fund Balance End of Year	\$ 26,570,880	\$ -	\$ 131,786	\$ -	\$ 17,131	\$ 26,719,797

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, 2015

Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	\$	(185,935)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital Related Differences:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
Capital outlays	\$ 1,326,632	
Depreciation expense	(3,653,380)	
Donated assets	9,749	(2,316,999)
Long-Term Debt Transaction Differences		
Additional financing-serial bond issue		(299,000)
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.		
Serial bonds	3,550,000	
Energy performance	430,338	3,980,338
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.		
Accrued interest for June 30, 2014 to June 30, 2015 decreased by		19,232
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.		
Issuance costs of refunding paid from proceeds and not requiring current resources	(61,128)	
Amortization of premiums on refundings	79,168	
Amortization of deferred charges on refundings	(54,819)	(36,779)
Long-Term Expense Differences		
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.		
Compensated absences changed by	155,169	
Increase in Postemployment benefits (Net OPEB Obligation)	(5,368,910)	(5,213,741)
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.		
Teachers' Retirement System	6,446,603	
Employees' Retirement System	714,754	7,161,357
Changes in Net Position of Governmental Activities	\$	3,108,473

See Accompanying Notes to the Basic Financial Statements.

SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private Purpose Fund	Agency Fund
ASSETS		
Cash	\$ 536,447	\$ 492,866
Total Assets	536,447	492,866
LIABILITIES		
Extraclassroom Activity Balances	-	227,572
Group Insurance and Benefits	-	130,865
Due to Other Funds	-	26
Other Liabilities	-	134,403
Total Liabilities	-	\$ 492,866
NET POSITION		
Held in Trust For:		
Endowment Scholarships	536,447	
Total Net Position	\$ 536,447	

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, 2014

	Private Purpose Fund
ADDITIONS	
Gifts and Donations	\$ 37,194
Interest	524
Total Additions	<u>37,718</u>
DEDUCTIONS	
Scholarship Expenses	<u>26,961</u>
Total Deductions	<u>26,961</u>
Change in Net Position	10,757
Net Position- Beginning	<u>525,690</u>
Net Position- Ending	<u>\$ 536,447</u>

See Accompanying Notes to the Basic Financial Statements.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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, 2015, 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 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

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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.

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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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 inventorable 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.

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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

	<u>Depreciation Method</u>	<u>Estimated 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 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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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 is 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.

- Restricted:

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

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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.

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

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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 expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g. expenditures related to reserves) the expenditure is 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

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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.

T) Adoption of New Accounting Standards:

In June 2012, the Governmental Accounting Standards Board released Statement No. 68-*Accounting for Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. "This Statement is to improve accounting and financial reporting by state and local governments for pensions". It also "establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures". For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service." In addition, there are recognition and disclosure requirements for the employers. Governmental Accounting Standards Board Statement No. 71-*Pension Transition for Contributions made Subsequent to the Measurement Date-An amendment of GASB Statement No. 68*, was issued to address transition provisions of Statement No. 68 and is to be applied simultaneously with the Statement No. 68.

As a result of the implementation of GASB Statement No. 68, the opening Net Position was restated for the following:

Adjustment provided from TRS system	\$ 6,380,151
Adjustment provided from ERS system	<u>(1,071,632)</u>
Net addition to Opening Net Position	<u>\$ 5,308,519</u>

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 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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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 not in excess of the New York State Real Property Tax Law (1318) limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

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 2015, the District has invested in deposits within the above-described parameters.

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.)

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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 were in separate bank accounts at June 30, 2015 for specific restricted reserves.

Note 5 – Capital assets:

Capital asset balances and activity for the year ended June 30, 2015:

	Beginning Balance	Additions	Retirements/ Reclass.	Ending Balance
Governmental Activities:				
Capital Assets That Are Not Depreciated:				
Land	\$ 305,740	\$ -	\$ -	\$ 305,740
Construction in Progress	23,288	152,268	(23,288)	152,268
Total Nondepreciable Cost	<u>\$ 329,028</u>	<u>\$ 152,268</u>	<u>\$ (23,288)</u>	<u>\$ 458,008</u>
Capital Assets That Are Depreciated:				
Buildings/Building Improvements	\$ 98,129,875	\$ 1,070,549	\$ -	\$ 99,200,424
Site Improvements	1,046,084	-	-	1,046,084
Machinery and Equipment	4,436,424	86,008	(68,375)	4,454,057
Vehicles	700,702	50,844	(62,199)	689,347
Total Depreciable Cost	<u>104,313,085</u>	<u>1,207,401</u>	<u>(130,574)</u>	<u>105,389,912</u>
Less:				
Accumulated Depreciation:				
Buildings/Building Improvements	43,401,918	3,271,150	-	46,673,068
Site Improvements	585,822	23,072	-	608,894
Machinery and Equipment	2,301,749	307,365	(68,375)	2,540,739
Vehicles	483,059	51,793	(62,199)	472,653
Total Accumulated Depreciation	<u>46,772,548</u>	<u>3,653,380</u>	<u>(130,574)</u>	<u>50,295,354</u>
Total Depreciable-Net	<u>\$ 57,540,537</u>	<u>\$ (2,445,979)</u>	<u>\$ -</u>	<u>\$ 55,094,558</u>
Grand Total	<u>\$ 57,869,565</u>	<u>\$ (2,293,711)</u>	<u>\$ (23,288)</u>	<u>\$ 55,552,566</u>

Depreciation has been allocated to governmental functions as follows:

General Support	\$ 205,345
School Lunch Program	6,614
Instruction	<u>3,441,421</u>
Total Depreciation Expense	<u>\$ 3,653,380</u>

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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. There was no short term financing during the year.

Note 8– Long-term debt:

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

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Bonds Payable/Contracts:					
Serial Construction Bonds	\$ 26,835,000	\$ 1,524,000	\$ 4,775,000	\$ 23,584,000	\$ 3,684,000
Premium on Issues	523,407	86,167	79,168	530,406	85,473
Energy Performance Contract	<u>6,514,457</u>	<u>-</u>	<u>430,338</u>	<u>6,084,119</u>	<u>444,393</u>
Total Bonds Payable/Contracts	33,872,864	1,610,167	5,284,506	30,198,525	4,213,866
Other Liabilities:					
Compensated Absences	7,423,972		188,324	7,235,648	60,038
Net Pension Liability -ERS	<u>-</u>	<u>1,140,098</u>	<u>-</u>	<u>1,140,098</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 41,296,836</u>	<u>\$ 2,750,265</u>	<u>\$ 5,472,830</u>	<u>\$ 38,574,271</u>	<u>\$ 4,273,904</u>

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

Advance Refunding-Prior

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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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 and the remaining balance (\$446,341) is shown 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-Current Year

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 present value of savings to the District by such refunding is approximately \$92,882.

The net proceeds of \$1,250,039 (representing an amount including receipt of a premium in the amount of \$86,167 and payment of \$61,128 in underwriting fees and other issuance costs) were used to purchase U.S. Treasury Securities-State and Local Government Series (SLGS), to be deposited in escrow for the automatic payment of the refunded issues.

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 \$84,065 is included in the long term debt serial bond schedule.

Underwriting and other issuance costs which totaled \$61,128 are expensed and the loss on refunding of \$25,039 is shown as a Deferred Outflow of Resources and amortized in accordance with GASB Statement No. 65.

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

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

Serial Bonds:

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

Fiscal Year	Principal	Interest	Total
	\$	\$	\$
2016	3,684,000	887,398	4,571,398
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
2021-2025	7,780,000	1,920,562	9,700,562
2026-2029	4,825,000	449,687	5,274,687
	<u>\$ 23,584,000</u>	<u>\$ 5,956,135</u>	<u>\$ 29,540,135</u>

Original Amount	Year of Issue	Year of Maturity	Interest Rates %	Balance
\$ 12,988,600	2008	2028	4.125-4.500	\$ 9,000,000
11,650,000	2010	2029	3.000-4.000	8,900,000
11,050,000 R	2012	2021	3.000-4.000	4,165,000
299,000	2014	2019	1.000-2.100	299,000
1,225,000 R	2015	2025	3.000-3.000	1,220,000
				<u>\$ 23,584,000</u>

R =Refunding

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

Fiscal Year	2012 Premium on Refunding	2015	2012 Deferred Outflow	2015
2016	\$ 77,066	\$ 8,407	\$ 54,209	\$ 2,443
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
Thereafter	61,011	42,030	42,913	12,214
	<u>\$ 446,341</u>	<u>\$ 84,065</u>	<u>\$ 313,958</u>	<u>\$ 24,429</u>

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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
2016	\$ 444,393	\$ 193,555	\$ 637,948
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
2021-2025	2,785,448	404,294	3,189,742
2026-2027	926,735	30,187	956,922
	<u>\$ 6,084,119</u>	<u>\$ 1,252,287</u>	<u>\$ 7,336,406</u>

Interest on long-term debt, after adjustment for accruals and refunding amounts amortized, amounted to \$1,170,336.

Note 9 – Interfund balances and activity:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,338,192	\$ 29	\$ 1,005	\$ 874,926
School Lunch Fund	-	19,420	-	-
Special Aid Fund	-	1,318,746	174,926	-
Capital Projects Fund	29	-	700,000	1,005
Total Governmental Activities	<u>\$ 1,338,221</u>	<u>\$ 1,338,195</u>	<u>\$ 875,931</u>	<u>\$ 875,931</u>
Agency Fund	-	26	-	-
Grand Totals	<u>\$ 1,338,221</u>	<u>\$ 1,338,221</u>	<u>\$ 875,931</u>	<u>\$ 875,931</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.

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

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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>
2015	\$ 5,540,182
2014	4,993,713
2013	3,652,855

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

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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, 2014 (measurement date for TRS) was as follows:

	2014
Total pension liability	\$ 97,015,706,548
System fiduciary net position	<u>108,155,083,127</u>
School districts' net pension liability (asset)	\$ <u>(11,139,376,579)</u>
System fiduciary net position as a percentage Of Total pension liability	111.48%

(a) Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. 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.

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

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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 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, 2013 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%	7.3%
International Equity	18	8.5
Real Estate	10	5.0
Alternative Investments	7	11.0
Domestic Fixed Income	18	1.5
Global Fixed Income	2	1.4
Mortgages	8	3.4
Short term	-	0.8
	<u>100%</u>	

*Real rates of return are net of the long-term inflation assumption of 2.3% for 2013.

(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 rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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, 2014	(\$499,900)	(\$23,174,206)\$	(\$42,495,864)

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.

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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 338,880
Net difference between projected and actual earnings on pension plan investments ¹	-	15,563,998
Changes in proportion	15,244	-
Contributions subsequent to the measurement date*	5,540,182	-
	<u>\$ 5,555,426</u>	<u>\$ 15,902,878</u>

*The amount of contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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:	
2016	(\$ 3,928,632)
2017	(3,928,632)
2018	(3,928,632)
2019	(3,928,632)
2020	(37,632)
Thereafter	(135,474)

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, 2015 the District had a pension expense (revenue) of (\$906,403) 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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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/pension/cafr.htm.

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:

	<u>ERS</u>
2015	\$ 1,813,609
2014	1,898,597
2013	1,734,852

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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

At June 30, 2015, the District reported a liability of \$1,140,098 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015 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, 2015 the District's proportion was 0.0337482 percent. For the year ended June 30, 2015, the District recognized pension expense of \$1,064,272 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>
Differences between expected and actual experience	\$ 36,496
Net difference between projected and actual investment earnings on Pension Plan investments	198,020
Changes in proportion and differences between employer contributions And proportionate share of contributions	129,884
Contributions subsequent to the measurement date*	418,820
	<u>\$ 783,220</u>

*The amount of contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense for the Plan Year as shown below:

Year ended March 31:			
2016	\$	91,100	
2017	\$	91,100	
2018	\$	91,100	
2019	\$	91,100	

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

Significant actuarial assumptions used in the April 1, 2014 valuation were as follows:

Actuarial cost method	Entry Age normal
Investment rate of return	7.5%
Salary scale-ERS	4.9%
Decrements tables	Developed from the Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010
Inflation rate	2.7%
Mortality Improvement	Society of Actuaries Scale MP-2014
Cost of Living Adjustment	1.4% 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, 2015 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 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon 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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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 7.5 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 (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	Current Assumption		
	6.5%	7.5%	8.5%
District's proportionate share of the net pension liability	\$7,599,245	\$1,140,098	(\$4,313,024)

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.

- *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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of March 31, 2015, were as follows:

	(Dollars in Thousands)
Employers' total pension liability	\$ 164,591,504
Plan Net Position	<u>(161,213,259)</u>
Employers' total pension liability	\$ <u>3,378,245</u>
System fiduciary net position as a percentage of total pension liability	97.9%

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, 2015-June 30 2015.

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 information for the Sayville UFSD as of December 31, 2013.

Plan Description

For the period ending December 31, 2014 the Sayville Union Free School District obtained health plan coverage for its eligible employees and retirees from the Suffolk School Employees Health Plan (SSEHP). The SSEHP was determined to be an agent multiple-employer defined benefit plan. The Plan is on a calendar basis. Authority to establish and amend benefit provisions of the Plan resides with the Trustees.

The District paid an annual premium to the pool for its health insurance coverage. The Plan obtained stop-loss insurance to reduce its exposure to excessive losses resulting from large covered claims. The Plan permitted the assessment of additional contributions from the participating District in the form of supplemental assessments in the event of a shortfall in any fiscal year.

For the period beginning January 1, 2015, benefits are provided through the New York State Health Insurance Program Empire Plan, (The "Empire Plan") which is a single-employer defined benefit healthcare plan administered by New York State. The Plan is on a calendar basis. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. The Plan does not issue a stand-alone, publicly

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

available report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Funding Policy

Under SSEHP and for the period ending December 31, 2014, the School Districts that participated determine through negotiations the amount that each participant in its respective district will contribute towards their health coverage. Retiree contributions depend on group classification and type of coverage. The required contribution is based on pay-as-you-go financing.

Employer contribution requirements to the SSEHP are set annually by the Trustees of the Plan effective from July 1 to June 30. The contribution requirements are based on projected incurred costs developed on a pooled basis for the plan as a whole. The rules under which contribution requirements are set are expressed in the Plan's trust agreement.

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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

Funded Status and Funding Progress

Annual OPEB Cost and Net OPEB Obligation (NOO)	
Annual Required Contribution (ARC):	
Normal Cost	\$ 3,341,532
Amortization of UAAL	6,850,486
Total ARC	<u>10,192,018</u>
Interest on NOO	1,255,250
Adjustment to ARC	<u>(2,088,024)</u>
Annual OPEB cost	9,359,244
Contributions made	<u>(3,990,334)</u>
Increase in OPEB obligation	5,368,910
Net OPEB obligation-beginning of year	<u>31,381,242</u>
Net OPEB obligation-end of year	<u>\$ 36,750,152</u>
Annual OPEB cost	\$ 9,359,244
Percentage of annual OPEB cost contributed	42.6%
Net OPEB obligation-end of year	\$ 36,750,152
Funded Status	
Actuarial Accrued Liability (AAL)	\$ 105,847,649
Actuarial value of assets	0
Unfunded Actuarial Accrued Liability	\$ 105,847,649
Funded Ratio (Assets as a percentage of AAL)	0%
Annual covered payroll	\$ 39,152,686
UAAL as a percentage of covered payroll	270.3%

As of June 30, 2015, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$105,847,649, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$105,847,649. The covered payroll (annual payroll of active employees covered by the plan) was \$39,152,686 and the ratio of the UAAL to the covered payroll was 270.3%.

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.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

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 rate based on the RP-2000 Combined Healthy Mortality Table, retirement rates and turnover rates. The UAAL uses level dollar amortization (closed) based on 30 years. At June 30, 2015, the remaining period was 22 years.

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 following rates are “net” and are applied to the net per capita costs. The trend shown for a particular plan year is the rate that must be applied to that year’s cost to yield the next year’s projected cost.

31-Dec	Medical	Drugs
2015	6.5%	5.5%
2016	6.0%	5.0%
2017	5.5%	5.0%
2018	5.0%	5.0%
Thereafter	5.0%	5.0%

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.

Suffolk School Employees Health Plan

The Sayville Union Free School District was self-insured for health benefits. The plan, entitled *Suffolk School Employees Health Plan* (the “Plan”), consisted of four contributing school districts in Suffolk County, New York. As of January 1, 2015 the Sayville Union Free School District is no longer a member of SSEHP and now provides benefits through NYSHIP to qualifying employees and retirees.

Sayville Union Free School District
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 13– Operating Leases

The District leases equipment under various non-cancelable leases. The rental expense for 2015 was \$587,790. The minimum annual rentals for each of the remaining years of the leases are:

Fiscal Year Ending June 30	Amount
2016	\$ 682,400
2017	656,522
2018	499,407
2019	231,029
2020	120,494
	\$ 2,189,852

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	\$ 570,532
Instruction	1,560,913
Pupil Transportation	103,368
Employee Benefits	28,494
TOTAL	\$ 2,263,307

(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.

Note 15 – Subsequent Events

Events and transactions are evaluated through the date of the financial report, October 15, 2015.

SAYVILLE UNION FREE SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND
 JUNE 30, 2015

<u>REVENUES</u>	Original Budget	Final Budget	Actual Revenues	Over (Under) Budget	Unencumbered Balance
Local Sources					
Real Property Taxes	\$ 51,335,795	\$ 51,335,795	\$ 51,307,070	\$ (28,725)	\$ 16,507
Real Property Tax Items (Including STAR Reimbursement)	6,701,896	6,701,896	6,733,058	31,162	2,181
Charges for Services	449,078	449,078	456,047	6,969	88,103
Use of Money and Property	1,804,497	1,804,497	1,769,156	(35,341)	67,872
Sale of Property and Compensation for Loss	6,100	6,100	155,909	149,809	826,109
Medicare Part D	150,000	150,000	62,979	(87,021)	50,246
Miscellaneous	70,000	70,000	243,133	173,133	1,051,018
Total Local Sources	<u>60,517,366</u>	<u>60,517,366</u>	<u>60,727,352</u>	<u>209,986</u>	<u>336,297</u>
State Sources	23,325,517	23,325,517	23,687,947	362,430	694,264
Federal Aid	125,000	125,000	87,873	(37,127)	1,344,816
Interfund Transfer	-	-	1,005	1,005	271,938
Total Revenues	<u>83,967,883</u>	<u>83,967,883</u>	<u>84,504,177</u>	<u>536,294</u>	<u>1,051,018</u>
Prior year's encumbrances	2,521,099	2,521,099	-	-	-
Appropriated Fund Balance (\$4,412,023) and Reserves (\$1,973,688)	6,083,342	6,385,711	-	-	-
Total Revenues and Appropriated Fund Balance	<u>\$ 92,572,324</u>	<u>\$ 92,874,693</u>	<u>\$ 84,504,177</u>	<u>\$ 536,294</u>	<u>\$ 1,051,018</u>
<u>EXPENDITURES</u>					
General Support:					
Board of Education	65,093	63,441	45,329	1,605	16,507
Central Administration	339,849	342,045	339,029	835	2,181
Finance	1,097,232	1,203,153	1,094,126	20,924	88,103
Staff	733,552	734,114	634,048	32,194	67,872
Central Services	7,996,076	8,093,750	6,752,667	514,974	826,109
Special Items	875,307	888,404	838,158	-	50,246
Total General Support	<u>11,107,109</u>	<u>11,324,907</u>	<u>9,703,357</u>	<u>570,532</u>	<u>1,051,018</u>
Instruction:					
Instruction, Administration and Improvement	3,801,619	3,797,591	3,428,932	32,362	336,297
Teaching - Regular School	24,002,385	24,002,978	23,136,844	171,870	694,264
Programs for Children with Handicapping Conditions	12,008,821	11,852,735	9,868,818	639,101	1,344,816
Occupational Education	672,450	672,450	400,512	-	271,938
Teaching - Special Schools	121,819	121,944	108,658	-	13,286
Instructional Media	4,084,335	4,782,184	3,771,759	695,863	314,562
Pupil Services	4,063,408	4,064,778	3,908,040	21,717	135,021
Total Instruction	<u>48,765,837</u>	<u>49,294,660</u>	<u>44,623,563</u>	<u>1,560,913</u>	<u>3,110,184</u>
Pupil Transportation	3,741,712	3,750,087	3,323,062	103,368	323,657
Community Services	115,492	115,492	95,252	-	20,240
Employee Benefits	22,732,725	22,191,702	20,724,658	28,494	1,438,550
Debt Service					
Principal	3,975,338	3,980,338	3,980,338	-	-
Interest	1,484,111	1,342,581	1,213,917	-	128,664
Subtotal	<u>5,459,449</u>	<u>5,322,919</u>	<u>5,194,255</u>	<u>-</u>	<u>128,664</u>
Interfund Transfers	650,000	874,926	874,926	-	-
Total Expenditures	<u>\$ 92,572,324</u>	<u>\$ 92,874,693</u>	<u>\$ 84,539,073</u>	<u>\$ 2,263,307</u>	<u>\$ 6,072,313</u>
Excess Revenues / Expenditures			<u>(34,896)</u>		

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, 2015

<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	-	37,821,235	282.5%
12/31/2009	106,852,152	-	106,852,152	-	36,440,730	293.2%
12/31/2011	112,409,679	-	112,409,679	-	37,382,708	300.7%
12/31/2011	112,409,679	-	112,409,679	-	37,961,207	296.1%
12/31/2013	105,847,649	-	105,847,649	-	38,420,962	275.5%
12/31/2013	105,847,649	-	105,847,649	-	39,152,686	270.3%

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 LIABILITY
 AND SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

	<u>TRS</u>	<u>ERS</u>
Proportionate % of the net pension liability	0.208039%	0.0337482%
Proportionate share of the net pension liability (asset)	\$ (23,174,206)	\$ 1,140,098
Covered employee payroll -measurement date basis	\$ 31,191,401	\$ 9,495,326
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(74.30%)	12.01%
Plan fiduciary net position as a percentage of the total pension liability	111.48%	97.95%

Amounts presented above were determined as of March 31, 2015 for ERS and as of June 30, 2014 for TRS.

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS:

Contractually required contribution	\$ 5,540,182	\$ 1,813,609
Contribution in relation to the contractually required contribution	5,540,182	1,813,609
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>
Covered employee payroll-fiscal year basis	\$ 31,859,812	\$ 9,845,874
Contributions as a percentage of covered employee payroll	17.39%	18.42%

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

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, 2015

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$	90,353,594
Add: Prior year's encumbrances		2,521,099
Original Budget		<u>92,874,693</u>
Budget Revisions		<u>-</u>
Final Budget		<u><u>92,874,693</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2015-16 voter-approved expenditure budget		
Maximum Fund Balance allowed (4% of 2015-16 budget or \$3,576,201)	\$	<u><u>\$89,405,025</u></u>

Unrestricted fund balance:		
Assigned fund balance	\$	4,639,907
Unassigned fund balance		<u>3,353,406</u>
Total unrestricted fund balance		<u>7,993,313</u>
Less:		
Appropriated fund balance		2,376,600
Encumbrances included in assigned fund balance		<u>2,263,307</u>
Total adjustments		<u>4,639,907</u>

General Fund Balance Subject to Section 1318 of Real Property Law	\$	3,353,406
---	----	-----------

Actual percentage 3.75%

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

SAYVILLE UNION FREE SCHOOL DISTRICT
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
 JUNE 30, 2015

PROJECT TITLE	Appropriation		Prior Year's	Expenditures to Date		Unexpended Balance
	Original	Revised		Current Year	Total	
Districtwide Security	\$ 500,000	\$ 500,000	\$ 495,995	\$ 4,005	\$ 500,000	\$ -
2007 Bond Projects - School District Improvements	12,940,517	13,581,459	12,723,743	857,716	13,581,459	-
HS Dugout & Security	158,944	158,944	-	152,268	152,268	6,676
Emergency Boilers - Cherry Avenue	200,000	200,000	-	189,545	189,545	10,455
Total	<u>\$ 13,799,461</u>	<u>\$ 14,440,403</u>	<u>\$ 13,219,738</u>	<u>\$ 1,203,534</u>	<u>\$ 14,423,272</u>	<u>\$ 17,131</u>

SAYVILLE UNION FREE SCHOOL DISTRICT
 SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
 COMPARED TO ST-3 DATA
 FOR THE YEAR ENDED JUNE 30, 2015

	Account Code		ST-3 Amount		Audited Amount
REVENUES					
Property Taxes	A - 1001	\$	51,307,070	\$	51,307,070
Non-property Taxes	AT - 1199		6,733,058		6,733,058
State Aid	AT - 3999		23,687,947		23,687,947
Federal Aid	AT - 4999		87,873		87,873
Total Revenues	AT - 5999		84,504,177		84,504,177
EXPENDITURES					
General Support	AT - 1999		9,703,357		9,703,357
Pupil Transportation	AT - 5599		3,323,062		3,323,062
Debt Service - Principal	AT - 9798.6		3,980,338		3,980,338
Debt Service - Interest	AT - 9798.7		1,213,917		1,213,917
Total Expenditures	AT - 9999		84,539,073		84,539,073

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, 2015

Capital Assets, Net		\$ 55,552,566
Deduct:		
Short-term Portion of Bonds Payable	\$ 3,684,000	
Long-term Portion of Bond Payable	19,900,000	
Short-term Portion of Energy Performance Contract	444,393	
Long-term Portion of Energy Performance Contract	5,639,726	
Unamortized Portion of Deferred Refunding Premium, Net of Deferred Charge on Refunding	<u>192,019</u>	<u>(29,860,138)</u>
Net Investment in Capital Assets		<u>\$ 25,692,428</u>

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



Pappas & Company

CERTIFIED PUBLIC ACCOUNTANTS

3 Rensselaer Drive • Commack, NY 11725

(631) 462-0660 • Fax (631) 462-8664

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, 2015, 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 15, 2015.

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.

A handwritten signature in black ink that reads "Pappas & Company". The signature is written in a cursive, flowing style.

*Commack, New York
October 15, 2015*