

**SAYVILLE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
WITH INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

TABLE OF CONTENTS

Independent Auditors' Report

Exhibit

Management's Discussion and Analysis (MD&A)

Basic Financial Statements:

- | | |
|---|--|
| 1 | Statement of Net Assets |
| 2 | Statement of Activities |
| 3 | Balance Sheet - Governmental Funds |
| 4 | Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets |
| 5 | Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds |
| 6 | Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities |
| 7 | Statement of Fiduciary Net Assets – Fiduciary Funds |
| 8 | Statement of Changes in Fiduciary Net Assets – Fiduciary Funds |

Notes to the Basic Financial Statements

Required Supplementary Information other than MD&A:

- | | |
|------|--|
| SS 1 | Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund |
| SS 2 | Schedule of Change from Adopted Budget to Final Budget and Use of Unreserved Fund Balance – General Fund |
| SS 3 | Schedule of Funding Progress-Postemployment Benefits Plan |

Other Supplementary Information:

- | | |
|------|---|
| SS 4 | Schedule of Project Expenditures – Capital Projects Fund |
| SS 5 | Schedule of Certain Revenues and Expenditures Compared to ST-3 Data |
| SS 6 | Schedule of Investment in Capital Assets, Net of Related Debt |

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*.



Pappas & Company

CERTIFIED PUBLIC ACCOUNTANTS

3 Rensselaer Drive • Commack, NY 11725

(631) 462-0660 • Fax (631) 462-8664

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Sayville Union Free School District, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

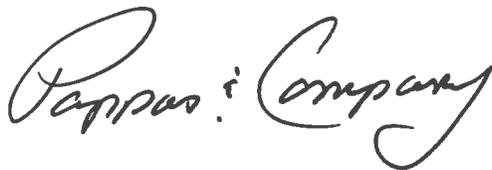
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as well as the fiduciary funds of the Sayville Union Free School District as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 9, 2012, on our consideration of the Sayville Union Free School District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States, and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and other required supplementary as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Sayville Union Free School 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Pappas & Company". The signature is written in black ink and is positioned to the left of the date and location text.

October 9, 2012
Commack, New York

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, 2012. We would encourage readers to consider the information presented in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

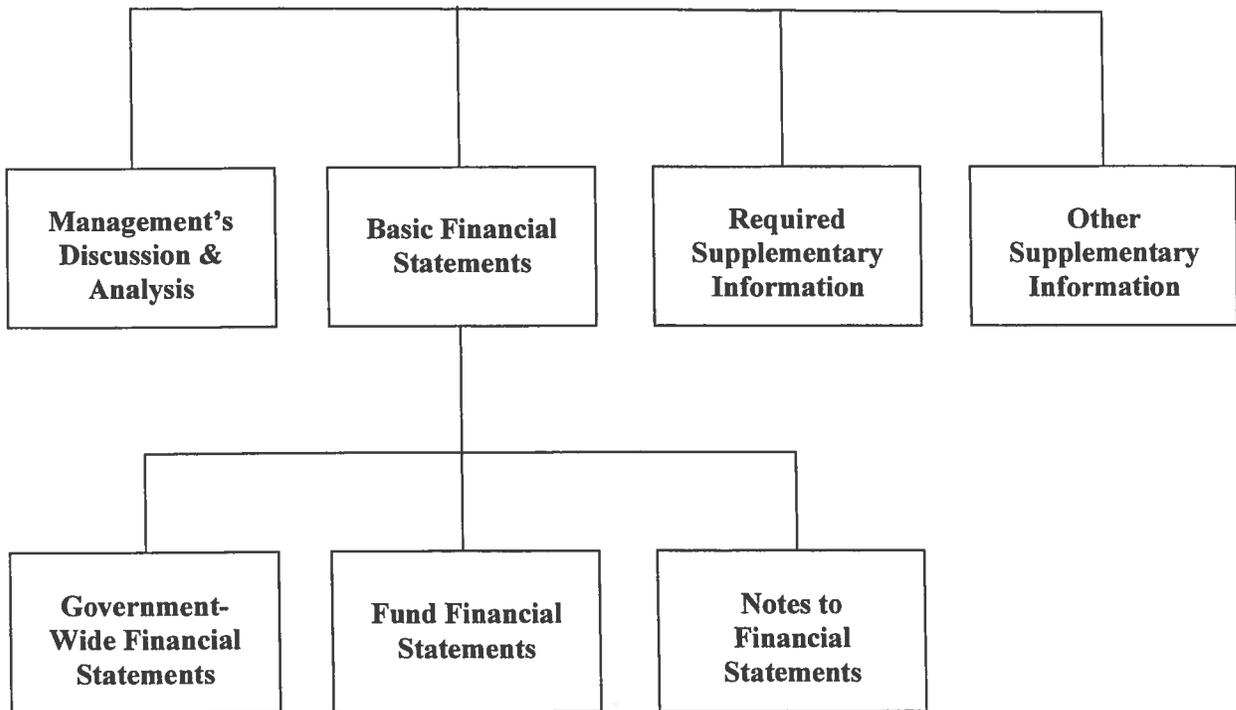
- District-wide net assets at June 30, 2012 were \$20,476,643. (For details please refer to Exhibit 1 in the Financial Statement section).
- Overall general revenues for all funds were \$83,209,206, which were less than expenditures by \$2,212,782 thus decreasing the District's net assets. (See Exhibit 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, 2012 was \$26,432,558. Of this amount, \$3,424,023 is available for spending at the government's discretion (unassigned).
- \$3,600,000 of principal was paid down on serial bond debt during the fiscal year.
- The District continues to offer all programs.
- The proposed 2012-2013 budget in the amount of \$85,674,961 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 *district-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.



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

TABLE A-2			
	District-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 assets • 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 assets • Statement of changes In fiduciary net assets
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, 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

District-wide Statements

The District-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 Assets includes all of the District's assets and liabilities. 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 District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – 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 assets 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.

District-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 Assets:

- 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 asset balances as follows:
 - *Net Assets* invested in capital assets, net of related debt
 - *Restricted net assets* are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation such as capital projects and Debt service.
 - *Unrestricted net assets* are net assets that do not meet any of the above restrictions

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 has 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 Equity.
- *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 assets

The District's net assets were less on June 30, 2012, than they were the year before, decreasing 9.75% to \$20,476,643. (See Table A-3)

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

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2012</u>	<u>2011</u>	
Current and Other Assets	\$ 35,470	\$ 32,156	
Capital Assets	60,909	55,616	
Total Assets	<u>96,379</u>	<u>87,772</u>	<u>9.81%</u>
Current Liabilities	10,287	8,844	
Non-Current Liabilities	65,615	56,239	
Total Liabilities	<u>75,902</u>	<u>65,083</u>	<u>16.62%</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	21,371	20,235	
Restricted	16,074	13,661	
Unrestricted	(16,968)	(11,207)	
Total Net Assets	<u>\$ 20,477</u>	<u>\$ 22,689</u>	<u>-9.75%</u>

In 2012, Current and Other Assets showed an increase in Cash.

Capital assets increased by various school district improvement projects detailed in the supplementary schedule (SS 4).

Current Liabilities increased by amounts due to the Teachers' and Employees' retirement system as well as and increase in accrued interest payable and compensated absences.

Non-current liabilities within the grouping had a decrease in serial bonds, but the postemployment benefit obligations and new Energy Performance Contract impacted the increase in non-current liabilities.

- 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 assets invested in capital assets, net of related debt, relates to the investment in capital assets at cost such as land, buildings and improvements, and furniture and equipment, etc. and subtracting accumulated depreciation and related bond debt.
- Unrestricted net assets reflect the net value after all capitalized assets are depreciated, all current and long-term liabilities are valued, and all restricted funds are deducted.

Changes in net assets

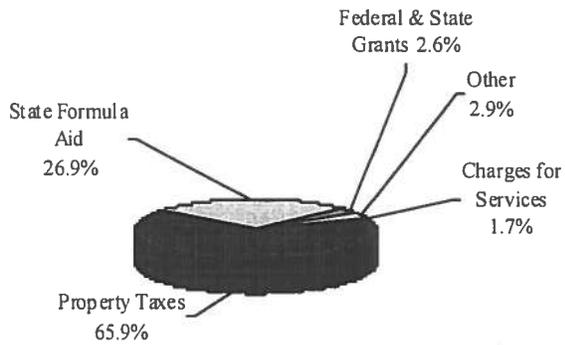
Table A-4
Changes In Net Assets From Operating Results (in thousands of dollars)

	Governmental Activities		Total Percentage Change
	2012	2011	
Revenues			
Program Revenues			
Charges for Services	\$ 1,414	\$ 1,364	
Operating Grants	2,198	3,456	
General Revenues			
Property Taxes and Tax Items	54,826	50,627	
State Formula Aid	22,367	21,776	
Other	2,404	2,602	
Total Revenues	\$ 83,209	\$ 79,825	4.24%
Expenses			
General Support	12,302	12,590	
Instruction	66,636	63,706	
Pupil Transportation	3,435	3,284	
Community Service	163	156	
Debt Interest	1,738	1,660	
School Lunch Program	1,148	1,131	
Total Expenses	85,422	82,527	3.51%
Decrease In Net Assets:	\$ (2,213)	\$ (2,702)	

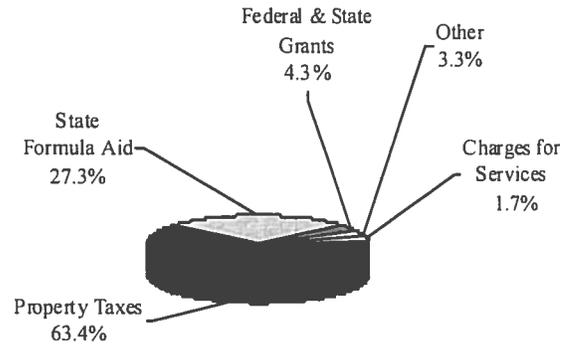
Revenues

- 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. During the year, additional funds were received as a grant as a result of the American Recovery and Reinvestment Act (ARRA). Within guidelines, these funds were used for salaries and employee benefits.

Table A-5
Source of Revenues for Governmental Activities Fiscal Year
2012



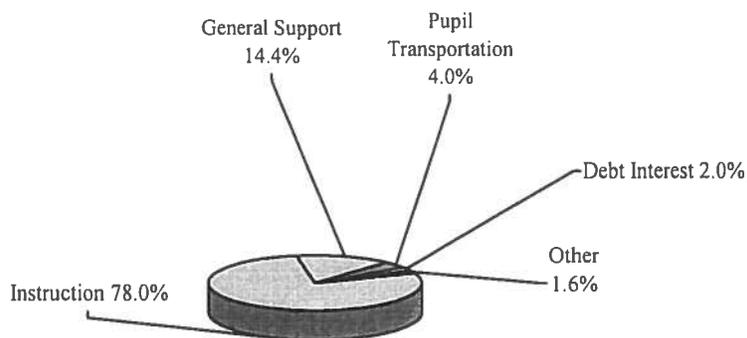
2011



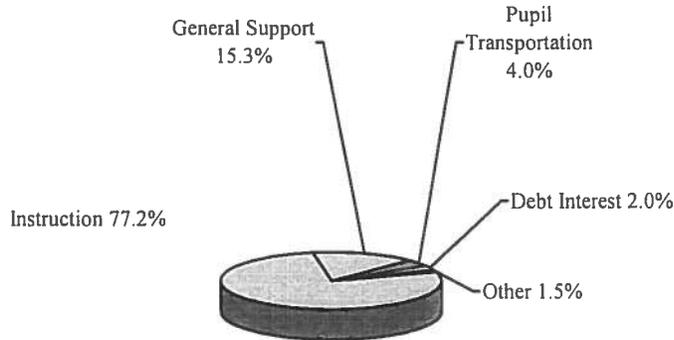
Expenses

The District's expenses are predominantly related to general instruction, pupil services and transporting students. The District's general support activities accounted for 14.4 percent of expenses. On the charts, "Other" includes community service and the school lunch program.

Table A-6
Expenses for Fiscal Year 2012



Expenses for Fiscal Year 2011



Governmental Activities

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

- Leadership of the District’s Board of Education.
- Board of Education and Administration’s oversight of 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.
- Positive financial performance due to conservative financial management and careful expenditure control.
- Approval of the annual budget and support of community.
- Long-range fiscal strategies that have effectively utilized the District’s available resources; and the use of reserve and surplus funds.

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)**

	2012		2011	
	Total Cost	Net Cost	Total Cost	Net Cost
General Support	\$ 12,302	\$ 12,302	\$ 12,590	\$ 12,590
Instruction	66,636	64,153	63,706	60,001
Pupil Transportation	3,435	3,435	3,284	3,284
Debt Interest	1,738	1,738	1,660	1,660
Community Service	163	163	156	156
School Lunch	1,148	19	1,131	17
Total	\$ 85,422	\$ 81,810	\$ 82,527	\$ 77,708

- Most of the net costs of \$81,810,085 were financed by District’s taxpayers and government aid.
- The total costs of all government activities this year was \$85,421,988.
- The users of the District’s programs funded \$1,413,929 of the cost by “charges for services”. Operating grants of \$2,197,974 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, 2012, the District’s governmental funds reported a combined fund balance of \$29,421,520, which is an increase of \$2,422,311 over the prior year. This increase is due to an excess of expenditures over revenues offset by other financing through an energy performance contract. A summary of the change in fund balance by fund presented in accordance with GASB 54 classifications is as follows.:

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
General Fund			
Restricted for:			
Bonded debt	\$ 9,675	\$ 98,489	\$ (88,814)
Employee benefit accrued liability	7,967,029	8,433,042	(466,013)
Retirement contribution	5,415,154	1,033,522	4,381,632
Workers' compensation	1,856,631	843,923	1,012,708
Unemployment insurance	<u>825,403</u>	<u>388,200</u>	<u>437,203</u>
Subtotal-Restricted	16,073,892	10,797,176	5,276,716
Assigned:			
Designated fund balance for subsequent year's budget	4,000,000	2,500,000	1,500,000
General Government expenditures	2,934,643	2,421,020	513,623
Unassigned	<u>3,424,023</u>	<u>7,429,359</u>	<u>(4,005,336)</u>
	<u>26,432,558</u>	<u>23,147,555</u>	<u>3,285,003</u>
School Lunch Fund			
Nonspendable: Inventory	20,538	16,099	4,439
Unassigned	<u>(20,538)</u>	<u>(16,099)</u>	<u>(4,439)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Capital Projects Fund			
Restricted for bonded/EPC projects	2,273,660	2,864,010	(590,350)
Assigned:			
Unappropriated fund balance	<u>715,302</u>	<u>987,644</u>	<u>(272,342)</u>
	<u>2,988,962</u>	<u>3,851,654</u>	<u>(862,692)</u>
	<u>\$ 29,421,520</u>	<u>\$ 26,999,209</u>	<u>\$ 2,422,311</u>

A. General Fund

The net change in the general fund – fund balance is an increase of \$3,285,003 as revenues of \$80,076,963 exceeded expenditures of \$76,791,960.

B. School Lunch Fund

The school lunch fund had no fund balance. Both revenue and expenditures were equal with no beginning fund balance.

C. Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$862,692 as work continues on the District’s various capital projects.

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) 2011-2012 Budget

The District’s general fund adopted budget for the year ended June 30, 2012 was \$81,779,400. This amount was increased by encumbrances carried forward from the prior year in the amount of \$2,421,020 for a final budget of \$84,200,420.

The actual results for the year show an excess of revenues over expenditures of \$3,285,003.

(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	\$ 7,429,359
Revenues Over Budget	1,369,688
Restricted Reserves Appropriated	(572,125)
Expenditures and Encumbrances under budget	4,473,817
Changes in Restricted Fund Balance	(5,276,716)
Assigned, Designated for June 30, 2013 budget	<u>(4,000,000)</u>
 Closing, Unassigned Fund Balance	 <u>\$ 3,424,023</u>

The unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's budget. This amount is limited to 4% of the 2012-2013 budget.

Expenditures and encumbrances under budget were primarily in instruction (\$1,184,504), general support (\$550,294) and employee benefits (\$2,556,332).

The changes in reserves and fund balance are discussed further in Management's Discussion and Analysis—Financial Analysis of the District's Funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2012, the District had invested \$60,908,836 net of accumulated depreciation in a broad range of capital assets, including land, buildings and improvements, furniture, machinery and equipment and vehicles. This includes \$701,428 of grants and resources of the Sayville Library, contributed towards construction of the District owned building. Total depreciation expense for the year was \$2,886,741 and additions to building improvements and machinery and equipment amounted to \$8,179,347.

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

	Governmental Activities	
	2012	2011
Land	\$ 318	\$ 318
Construction in Progress	9,693	10,340
Buildings	48,601	42,643
Site Improvements	156	13
Machinery/Equipment/Vehicles	2,141	2,302
Total	<u>\$ 60,909</u>	<u>\$ 55,616</u>

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

At year-end, the District had \$30,935,000 (non-current portion) of general obligation bonds 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.

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

	Fiscal Year	
	2012	2011
Serial Bonds	\$ 30,935	\$ 34,645
Energy Performance Contract	6,931	-
Compensated Absences	6,853	6,882
Net OPEB Obligation	20,896	14,712
Total	\$ 65,615	\$ 56,239

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:

- Beginning with the 2012-13 school year, school districts are faced with new Legislation that imposes a 2% tax levy cap at a time when New York State has been reducing State aid revenues to districts. This will result in significant challenges for districts to preserve educational opportunities for students.
- Continued fiscal burden for local school districts to fund additional Federal, State, and local **unfunded mandates**.
- New York State’s **continuing** fiscal deficit.
- 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 offset rising 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 continued downturn in financial investment markets and the effect of continued increases on New York State Employee and Teacher Retirement Systems and contribution rates.

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.

SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

Current Assets:	
Cash	\$ 30,438,661
Restricted Cash	2,299,099
Accounts Receivable	30,015
State and Federal Aid Receivable	2,681,557
Due from Fiduciary Fund	27
Inventories	20,538
Total Current Assets	35,469,897
Non-Current Assets:	
Capital Assets-Not Being Depreciated	10,011,037
Capital Assets Being Depreciated, Net of Accumulated Depreciation	50,897,799
Total Assets	\$ 96,378,733

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 1,421,848
Bond Interest and Matured Bonds	40,480
Accrued Interest Payable-Bonds	292,674
Due to Other Governments	433
Serial Bonds Payable - Due Within One Year	3,710,000
Energy Performance Contract - Due Within One Year	235,661
Due To Teachers' Retirement System	3,622,301
Due To Employees' Retirement System	433,713
Compensated Absences Payable-Due Within One Year	452,471
Deferred Revenues	77,131
Total Current Liabilities and Deferred Revenues	10,286,712
Non-Current Liabilities:	
Serial Bonds Payable	30,935,000
Energy Performance Contract	6,931,183
Net OPEB Obligation	20,895,744
Compensated Absences Payable	6,853,451
Total Non-Current Liabilities	65,615,378
Total Liabilities and Deferred Revenues	75,902,090

NET ASSETS

Investment in Capital Assets, Net of Related Debt	21,370,652
Restricted	16,073,892
Unrestricted (Deficit)	(16,967,901)
Total Net Assets	\$ 20,476,643

SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2012

	Expenses	Program Revenues		Net (expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	
<u>FUNCTIONS/PROGRAMS</u>				
General Support	\$ 12,302,146	\$ -	\$ -	\$ (12,302,146)
Instruction	66,636,155	506,408	1,976,710	(64,153,037)
Pupil Transportation	3,435,224	-	-	(3,435,224)
Community Service	162,910	-	-	(162,910)
Debt Interest Expense	1,737,862	-	-	(1,737,862)
School Lunch Program	1,147,691	907,521	221,264	(18,906)
	<u>\$ 85,421,988</u>	<u>\$ 1,413,929</u>	<u>\$ 2,197,974</u>	<u>(81,810,085)</u>
<u>GENERAL REVENUES</u>				
Real Property Taxes				48,490,301
Other Tax Items Including STAR Reimbursement				6,335,203
Use of Money and Property				1,719,983
Sale of Property and Compensation for Loss				58,469
Miscellaneous				577,164
Medicaid Reimbursement				49,284
State Aid-General				<u>22,366,899</u>
Total General Revenues				<u>79,597,303</u>
Change in Net Assets				(2,212,782)
Total Net Assets - Beginning of Year				<u>22,689,425</u>
Total Net Assets - End of Year				<u>\$ 20,476,643</u>

See Accompanying Notes to the Basic Financial Statements.

SAYVILLE UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Special Aid	School Lunch	Capital Projects	Governmental Funds Total
ASSETS					
Cash	\$ 28,387,196	\$ 259,313	\$ 33,544	\$ 1,758,608	\$ 30,438,661
Restricted Cash	1,075,634	-	-	1,223,465	2,299,099
State and Federal Aid Receivable	1,277,887	1,388,947	14,723	-	2,681,557
Due From Other Funds	1,607,742	-	-	55,066	1,662,808
Accounts Receivable	28,580	-	1,435	-	30,015
Inventories	-	-	20,538	-	20,538
Total Assets	\$ 32,377,039	\$ 1,648,260	\$ 70,240	\$ 3,037,139	\$ 37,132,678
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 1,283,568	\$ 111,251	\$ 27,029	\$ -	\$ 1,421,848
Bond Interest and Matured Bonds	40,480	-	-	-	40,480
Due To Other Funds	55,066	1,533,573	25,965	48,177	1,662,781
Due To Other Governments	-	-	433	-	433
Due To Teachers' Retirement System	3,622,301	-	-	-	3,622,301
Due To Employees' Retirement System	433,713	-	-	-	433,713
Compensated Absences Payable	452,471	-	-	-	452,471
Deferred Revenues	56,882	3,436	16,813	-	77,131
Total Liabilities and Deferred Revenues	5,944,481	1,648,260	70,240	48,177	7,711,158
Fund Balances:					
Nonspendable					
Inventory	-	-	20,538	-	20,538
Restricted					
Bonded or EPC Projects-unspent proceeds	-	-	-	2,273,660	2,273,660
Bonded Debt	9,675	-	-	-	9,675
Employee Benefit Accrued Liability	7,967,029	-	-	-	7,967,029
Retirement Contribution	5,415,154	-	-	-	5,415,154
Workers' Compensation	1,856,631	-	-	-	1,856,631
Unemployment Insurance	825,403	-	-	-	825,403
Assigned:					
Appropriated Fund Balance:					
Designated for subsequent year's budget	4,000,000	-	-	-	4,000,000
Other	2,934,643	-	-	715,302	3,649,945
Unassigned	3,424,023	-	(20,538)	-	3,403,485
Total Fund Balances	26,432,558	-	-	2,988,962	29,421,520
Total Liabilities and Fund Balances	\$ 32,377,039	\$ 1,648,260	\$ 70,240	\$ 3,037,139	\$ 37,132,678

SAYVILLE UNION FREE SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total Governmental Fund Balances \$ 29,421,520

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

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

Original cost of capital assets	\$ 101,768,114	
Accumulated depreciation	<u>(40,859,278)</u>	60,908,836

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

Bonds payable	34,645,000	
Energy Performance Contract	7,166,844	
Accrued interest on bonds payable	292,674	
Compensated absences	6,853,451	
Net OPEB obligation	<u>20,895,744</u>	<u>(69,853,713)</u>

Total Net Assets	\$	<u><u>20,476,643</u></u>
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SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2012

	Governmental Fund Types				Governmental Funds Total
	General	Special Aid	School Lunch	Capital Projects	
Revenues:					
Real Property Taxes	\$ 48,490,301	\$ -	\$ -	\$ -	\$ 48,490,301
Real Property Tax Items (Including STAR Reimbursement)	6,335,203	-	-	-	6,335,203
Charges for Services	506,408	-	-	-	506,408
Use of Money and Property	1,719,898	-	85	-	1,719,983
Sale of Property and Compensation for Loss	58,469	-	-	-	58,469
Miscellaneous	550,501	-	15,778	10,885	577,164
State and Local Sources	22,366,899	488,355	15,256	-	22,870,510
Medicaid Reimbursement	49,284	-	-	-	49,284
Federal Sources	-	1,488,355	158,181	-	1,646,536
Surplus Food	-	-	47,827	-	47,827
Sales-School Breakfast and Lunch Program	-	-	907,521	-	907,521
Total Revenues	80,076,963	1,976,710	1,144,648	10,885	83,209,206
Expenditures:					
Current:					
General Support	9,196,223	-	-	-	9,196,223
Instruction	42,565,518	1,937,231	-	-	44,502,749
Pupil Transportation	3,246,130	159,699	-	-	3,405,829
Community Services	104,120	-	-	-	104,120
Employee Benefits	16,427,596	-	81,502	-	16,509,098
Cost of Sales	-	-	1,063,146	-	1,063,146
Debt Service:					
Principal	3,600,000	-	-	-	3,600,000
Interest	1,532,153	-	-	-	1,532,153
Capital Outlay	-	-	-	8,040,421	8,040,421
Total Expenditures	76,671,740	2,096,930	1,144,648	8,040,421	87,953,739
Excess (Deficiency) of Revenues Over Expenditures	3,405,223	(120,220)	-	(8,029,536)	(4,744,533)
Other Sources and (Uses):					
Energy Performance Contract	-	-	-	7,166,844	7,166,844
Operating Transfers In	-	120,220	-	-	120,220
Operating Transfers Out	(120,220)	-	-	-	(120,220)
Total Other Sources (Uses)	(120,220)	120,220	-	7,166,844	7,166,844
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other (Uses)	3,285,003	-	-	(862,692)	2,422,311
Fund Balance Beginning of Year	23,147,555	-	-	3,851,654	26,999,209
Fund Balance End of Year	26,432,558	-	-	2,988,962	29,421,520

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, 2012

Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	\$	2,422,311
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Capital Related Differences:		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However for governmental activities, those costs are capitalized and shown in the Statement of Net Assets and allocated over their useful lives as annual depreciation expense in the Statement of Activities.</p>		
Capital outlays	\$ 8,179,347	
Depreciation expense	<u>(2,886,741)</u>	5,292,606
Long-Term Debt Transaction Differences		
Financing of Energy Performance Contract		(7,166,844)
<p>Repayment of bond principal is an expenditure in the government funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.</p>		3,600,000
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the government funds because interest is recorded as an expenditure in funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due.</p>		
Accrued interest for June 30, 2011 to June 30, 2012 increased by		(205,709)
Long-Term Expense Differences		
<p>In the Statement of Activities, certain operating expenses are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.</p>		
Decrease in estimated Compensated Absences	28,611	
Increase in Postemployment benefits (Net OPEB Obligation)	<u>(6,183,757)</u>	<u>(6,155,146)</u>
Changes in Net Assets of Governmental Activities	\$	<u><u>(2,212,782)</u></u>

See Accompanying Notes to the Basic Financial Statements.

SAYVILLE UNION FREE SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Private Purpose Fund	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 546,543	\$ 548,315
Total Assets	<u>546,543</u>	<u>548,315</u>
LIABILITIES		
Extraclassroom Activity Balances	-	196,203
Group Insurance and Benefits	-	223,565
Due to Other Funds	-	27
Library Escrow on Sales Contact	-	56,000
Other Liabilities	-	72,520
Total Liabilities	<u>-</u>	<u>\$ 548,315</u>
NET ASSETS		
Held in Trust For:		
Endowment Scholarships	546,543	
Total Net Assets	<u>\$ 546,543</u>	

See Accompanying Notes to the Basic Financial Statements.

SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Fund</u>
ADDITIONS	
Gifts and Donations	\$ 33,566
Interest	660
Total Additions	<u>34,226</u>
DEDUCTIONS	
Scholarship Expenses	<u>21,223</u>
Total Deductions	<u>21,223</u>
Change in Net Assets	13,003
Net Assets Beginning	533,540
Net Assets Ending	<u>\$ 546,543</u>

See Accompanying Notes to the Basic Financial Statements.

Note 1 – Summary of certain significant accounting policies:

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A) Reporting entity:

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

The financial reporting entity is based on criteria set forth by GASB Statement 14, The Financial Reporting Entity and No. 39; Determining Whether Certain Organizations are Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Extraclassroom Activity Funds:

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the Extraclassroom organizations in the Statement of Net Assets – Fiduciary Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

B) Joint venture:

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

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

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate. During the year ended June 30, 2012, the District was billed \$6,037,712 for administrative and program costs. Financial statements for BOCES are available from the BOCES Administrative Offices.

C) Basis of presentation:

i) District-wide financial statements:

The Statement of Net Assets 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

Sayville Union Free School District
Notes to the Basic Financial Statements
Year Ended June 30, 2011

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

ii) **Fund financial statements:**

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

The District reports the following major governmental funds:

Governmental Funds:

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

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

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 District-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 the Basic Financial Statements
Year Ended June 30, 2012

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 District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include 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.

F) 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 the Basic Financial Statements
Year Ended June 30, 2012

G) 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.

H) 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.

I) 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.

J) Due to/from other funds:

The amounts reported on the Statement of Net Assets 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.

K) 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.

Sayville Union Free School District
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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.

	<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

L) 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.

M) 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 an expenditure in the General Fund. In the District-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*.

N) Equity Classifications:

Government-wide statements

In the government-wide statements there are three classes of net assets:

- Invested in capital assets, net of related debt – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
- Restricted net assets – reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by laws through constitutional provisions or enabling legislation.
- Unrestricted net assets – reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Fund Statements

The District implemented GASB 54 in fiscal 2010-2011. The intention of the GASB was 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 that are considered nonspendable.

Sayville Union Free School District
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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 amount follows:

Reserve for Retirement Contribution

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

Workers' Compensation Reserve

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

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

Reserve for Debt Service

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

Reserve for Employee Benefit Accrued Liability

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

Reserve for Unemployment Insurance

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

Restricted-Unspent bond/EPC proceeds

Unspent debt or energy performance contract proceeds are recorded as restricted fund balances because they are subject to external constraints in the agreement. These restricted funds are accounted for in the Capital Projects 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

Sayville Union Free School District
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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 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.

O) 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.

Sayville Union Free School District
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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.

Special Revenue Funds have not been included in the comparison because they do not have legally authorized (appropriated) budgets.

P) Encumbrances:

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

Q) Deferred revenue:

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

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.

Deferred revenues recorded in governmental funds are not recorded in the District-wide statements, and comprise part of the reconciliation.

R) 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.

S) **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.

T) **Long-term liabilities:**

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid 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 Assets.

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 assets of governmental activities:**

Total fund balances of the District's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. The difference primarily results from additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheet.

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

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

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 Assets. In additions, 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 Assets.

Note 3 – Stewardship and Compliance:

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

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 2012, 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.)

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 a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

Sayville Union Free School District
Notes to the Basic Financial Statements
Year Ended June 30, 2012

The District does not typically purchase investments dominated in foreign currency, and is not exposed to foreign currency risk.

Cash shown as Restricted is either held by an escrow agent or held in a separate account for Retirement Contributions.

Note 5 – Capital assets:

Capital asset balances and activity for the year ended June 30, 2012:

	Beginning Balance	Additions	Retirements/ Reclass.	Ending Balance
Governmental Activities:				
Capital Assets That Are Not Depreciated:				
Land	\$ 318,490	\$ -	\$ -	\$ 318,490
Construction in Progress	10,340,241	6,341,704	(6,989,398)	9,692,547
Total Nondepreciable Cost	\$ 10,658,731	\$ 6,341,704	\$ (6,989,398)	\$ 10,011,037
Capital Assets That Are Depreciated:				
Buildings/Building Improvements	\$ 77,948,260	\$ 8,542,615	\$ -	\$ 86,490,875
Site Improvements	566,392	145,500	-	711,892
Machinery and Equipment	3,833,694	80,447	-	3,914,141
Vehicles	641,853	58,479	(60,163)	640,169
Total Depreciable Cost	82,990,199	8,827,041	(60,163)	91,757,077
Less:				
Accumulated Depreciation:				
Buildings/Building Improvements	35,304,891	2,585,540	-	37,890,431
Site Improvements	553,898	1,634	-	555,532
Machinery and Equipment	1,666,798	261,615	-	1,928,413
Vehicles	507,113	37,952	(60,163)	484,902
Total Accumulated Depreciation	38,032,700	2,886,741	(60,163)	40,859,278
Total Depreciable-Net	\$ 44,957,499	\$ 5,940,300	\$ -	\$ 50,897,799
Grand Total	\$ 55,616,230	\$ 12,282,004	\$ (6,989,398)	\$ 60,908,836

Depreciation has been allocated to governmental functions as follows:

General Support	\$ 189,601
School Lunch Program	7,218
Instruction	2,689,922
Total Depreciation Expense	\$ 2,886,741

Sayville Union Free School District
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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 shall be 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 bond issue dated March 1, 2008 is in the amount of \$12,988,600. The aggregate amount expended on the construction project by bond proceeds and other revenue was \$12,540,660 at June 30, 2012. This amount is 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:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Government Activities:					
Bonds Payable/Contracts:					
Serial Construction Bonds	\$ 38,245,000	\$ -	\$ 3,600,000	\$ 34,645,000	\$ 3,710,000
Energy Performance Contract	-	7,166,844	-	7,166,844	235,661
Total Bonds Payable/Contracts	38,245,000	7,166,844	3,600,000	41,811,844	3,945,661
Other Liabilities:					
Compensated Absences	7,038,949	423,860	156,887	7,305,922	452,471
Total Long-Term Liabilities	\$ <u>45,283,949</u>	\$ <u>7,590,704</u>	\$ <u>3,756,887</u>	\$ <u>49,117,766</u>	\$ <u>4,398,132</u>

Sayville Union Free School District
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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

Serial Bonds:

Bond Issue	Year of Maturity	Interest Rate %	Outstanding June 30, 2012	Current
1994	2014	5.350-5.500	\$ 650,000	\$ 325,000
2002-A	2016	4.200-4.500	1,675,000	390,000
2002-B	2021	4.375-5.000	2,430,000	220,000
2002-C	2016	3.625-4.250	6,025,000	1,425,000
2002-D	2020	4.125-4.600	990,000	110,000
2005	2025	3.750-4.250	1,500,000	90,000
2208	2028	3.125-4.500	10,800,000	600,000
2011	2029	2.000-4.000	10,575,000	550,000
			<u>\$ 34,645,000</u>	<u>\$ 3,710,000</u>

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

Fiscal Year	Principal	Interest	Total
2013	\$ 3,710,000	\$ 1,391,609	\$ 5,101,609
2014	3,795,000	1,245,909	5,040,909
2015	3,595,000	1,095,996	4,690,996
2016	3,710,000	954,120	4,664,120
2017	1,750,000	802,685	2,552,685
2018-2022	8,715,000	2,963,652	11,678,652
2023-2027	7,395,000	1,330,163	8,725,163
2028-2029	1,975,000	104,750	2,079,750
	<u>\$ 34,645,000</u>	<u>\$ 9,888,884</u>	<u>\$ 44,533,884</u>

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
2013	\$ 235,661	\$ 397,452	\$ 633,113
2014	416,726	221,222	637,948
2015	430,338	207,611	637,949
2016	444,394	193,555	637,949
2017	458,909	179,040	637,949
2018-2027	5,180,816	879,692	6,060,508
	<u>\$ 7,166,844</u>	<u>\$ 2,078,572</u>	<u>\$ 9,245,416</u>

Interest on long-term debt, after adjustment for accruals, amounted to \$1,737,862.

Sayville Union Free School District
Notes to the Basic Financial Statements
Year Ended June 30, 2012

Note 9 – Interfund balances and activity:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,607,742	\$ 55,066	\$	\$ 120,220
School Lunch Fund	-	25,965		
Special Aid Fund	-	1,533,573	120,220	
Capital Projects Fund	55,066	48,177	-	
Total Governmental Activities	\$ <u>1,662,808</u>	\$ <u>1,662,781</u>	\$ <u>120,220</u>	\$ <u>120,220</u>
Agency Fund	-	27	-	-
Grand Totals	\$ <u><u>1,662,808</u></u>	\$ <u><u>1,662,808</u></u>	\$ <u><u>120,220</u></u>	\$ <u><u>120,220</u></u>

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

General information

The District participates in the New York State Employees’ Retirement System (NYSERS) and the New York State Teachers’ Retirement System (NYSTRS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

Provisions and administration

Teacher’s Retirement System

The New York State Teachers’ Retirement Board administers NYSTRS. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Sayville Union Free School District
Notes to the Basic Financial Statements
Year Ended June 30, 2012

Employee's Retirement System

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, 15th Floor Billing Unit, Albany, New York 12244.

Funding Policies

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	NYSTRS	NYSERS
2009 - 2010	\$ 2,401,420	\$ 668,712
2010 - 2011	2,413,346	1,086,469
2011 - 2012	3,383,421	1,410,263

As of January 1, 2010, a new tier (Tier 5) had been added to NYSTRS and ERS. The most outstanding difference from prior tiers is that the employee contribution percentage of payment will be paid throughout active membership. For this new tier, the NYSTRS rate is 3.5% and the ERS rate is 3.0%. In April 2012 a new tier (Tier 6) was added. The percentage of payment by the employee will be paid throughout active membership and on April 1, 2013, the contribution rate will be based on annual earnings.

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, 2011.

Sayville Union Free School District
Notes to the Basic Financial Statements
Year Ended June 30, 2012

Plan Description

The Sayville Union Free School District obtains 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 pays 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 permits 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.

Funding Policy

The School Districts that participate 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 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 the Basic Financial Statements
Year Ended June 30, 2012

Annual OPEB Cost and Net OPEB Obligation (NOO)

Annual Required Contribution (ARC):	
Normal Cost	\$ 3,332,732
Amortization of UAAL	6,918,812
Total ARC	<u>10,251,544</u>
Interest on NOO	588,479
Adjustment to ARC	<u>(905,522)</u>
Annual OPEB cost	9,934,501
Contributions made	<u>(3,750,744)</u>
Increase in OPEB obligation	6,183,757
Net OPEB obligation-beginning of year	<u>14,711,987</u>
Net OPEB obligation-end of year	<u>\$ 20,895,744</u>
Annual OPEB cost	\$ 9,934,501
Percentage of annual OPEB cost contributed	37.8%
Net OPEB obligation-end of year	\$ 20,895,744

Funded Status

Actuarial Accrued Liability (AAL)	\$ 112,409,679
Actuarial value of assets	0
Unfunded Actuarial Accrued Liability	\$ 112,409,679
Funded Ratio (Assets as a percentage of AAL)	0%
Annual covered payroll	\$ 37,382,708
UAAL as a percentage of covered payroll	300.7%

Funded Status and Funding Progress

As of June 30, 2012, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$112,409,679, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$112,409,679. The covered payroll (annual payroll of active employees covered by the plan) was \$37,382,708 and the ratio of the UAAL to the covered payroll was 300.7%.

Sayville Union Free School District
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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

Actuarial Methods and Assumptions

The outside actuarial firm used the Projected Unit Credit cost method to prepare its valuation. The actuarial assumptions included a 4% investment rate of return and the mortality 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, 2012, the remaining period was 25 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.

Year Ending December 31,	Medical	Prescription Drugs
2012	8.0%	7.0%
2013	7.5%	6.5%
2014	7.0%	6.0%
2015	6.5%	5.5%
2016	6.0%	5.0%
2017	5.5%	5.0%

Subsequent years also indicate a decline to a flat 5.0% for medical and a flat 5.0% for prescription drugs in year 2018 and later.

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.

Sayville Union Free School District
Notes to the Basic Financial Statements
Year Ended June 30, 2012

Suffolk School Employees Health Plan

The Sayville Union Free School District is self insured for health benefits. The plan, entitled *Suffolk School Employees Health Plan* (the “Plan”), consists of four contributing school districts in Suffolk County, New York. It is subject to the provisions of Article 44 of the New York State Insurance Law. The Plan provides health benefits (medical, hospital, surgical, major medical, and prescriptions) covering employees (and their beneficiaries and covered dependents) with a regular schedule of twenty (20) hours or more a week, in a job category, as defined by the Plan or as modified by the School District. Each school district makes contributions to the Plan determined annually by the Plan’s Board of Trustees.

Note 13– Operating Leases

The District leases equipment under various operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2012 were approximately \$426,088. The maximum future operating lease payments are as follows:

Fiscal Year Ending June 30	Amount
2013	\$ 291,004
2014	141,584
2015	120,353
2016	97,530
2017	0
	\$ 650,471

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	\$ 900,860
Instruction	1,992,236
Pupil Transportation	7,352
Employee Benefits	34,196
TOTAL	\$ 2,934,644

(C) Litigation

Counsel for the District reports that the District was sued by a General Contractor that performed construction work in the District. The amount Kenstar sued for was approximately \$2,500,000. “The District aggressively defended this claim, and filed a motion to dismiss Kenstar’s complaint in lieu of answering the complaint.....The District recently learned in the Courts that Kenstar’s complaint against the District was dismissed.

Note 15 – Subsequent Events

Events and transactions are evaluated through the date of the financial report, which is the date the financial statements were available for issuance, for possible disclosure and recognition in the financial statements.

On August 27, 2012 the District closed on the sale of building/land previously used by the Library. After certain deductions, the net proceeds of \$1,323,850 will be set up in a Reserve for Tax Reduction in accordance with Education Law. The District is permitted to retain the proceeds for a period not to exceed 10 years and to use them during that period for tax reduction. This Reserve is accounted for in the General Fund.

SAYVILLE UNION FREE SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND
 JUNE 30, 2012

REVENUES	Original Budget	Final Budget	Actual Revenues	Over (Under) Budget
Local Sources				
Real Property Taxes	\$ 48,323,715	\$ 48,323,715	\$ 48,490,301	\$ 166,586
Real Property Tax Items (Including STAR Reimbursement)	6,112,005	6,112,005	6,335,203	223,198
Charges for Services	449,078	449,078	506,408	57,330
Use of Money and Property	1,830,180	1,830,180	1,719,898	(110,282)
Sale of Property and Compensation for Loss	6,100	6,100	58,469	52,369
Miscellaneous	359,559	359,559	550,501	190,942
Total Local Sources	<u>57,080,637</u>	<u>57,080,637</u>	<u>57,660,780</u>	<u>580,143</u>
State Sources	21,626,638	21,626,638	22,366,899	740,261
Federal Aid	-	-	49,284	49,284
Total Revenues	<u>78,707,275</u>	<u>78,707,275</u>	<u>80,076,963</u>	<u>\$ 1,369,688</u>
Prior year's encumbrances	2,421,020	2,421,020		
Appropriated Fund Balance(\$2,500,000) and Reserves (\$572,125)	3,072,125	3,072,125		
	<u>\$ 84,200,420</u>	<u>\$ 84,200,420</u>		
Total Revenues and Appropriated Fund Balance				
EXPENDITURES				
General Support:				
Board of Education	62,640	62,690	53,424	\$ 1,226
Central Administration	313,117	322,109	320,481	180
Finance	1,035,198	1,043,175	915,397	65,477
Staff	713,691	925,113	833,999	30,612
Central Services	7,401,796	7,322,767	6,189,768	784,754
Special Items	974,523	971,523	883,154	18,611
Total General Support	<u>10,500,965</u>	<u>10,647,377</u>	<u>9,196,223</u>	<u>900,860</u>
Instruction:				
Instruction, Administration and Improvement	3,402,215	3,305,608	3,068,201	39,202
Teaching - Regular School	22,843,753	23,503,630	23,159,056	209,568
Programs for Children with Handicapping Conditions	10,622,584	10,635,032	8,917,529	1,246,904
Occupational Education	696,000	696,000	634,728	61,272
Teaching - Special Schools	207,333	297,526	176,270	-
Instructional Media	3,101,409	3,426,279	2,818,634	432,171
Pupil Services	3,804,189	3,878,183	3,791,100	3,119
Total Instruction	<u>44,677,483</u>	<u>45,742,258</u>	<u>42,565,518</u>	<u>1,992,236</u>
Pupil Transportation	3,325,261	3,332,304	3,246,130	7,352
Community Services	114,101	114,101	104,120	-
Employee Benefits	19,980,456	19,018,123	16,427,596	34,195
Debt Service				
Principal	3,600,000	3,600,000	3,600,000	-
Interest	1,852,154	1,596,257	1,532,153	-
Subtotal	<u>5,452,154</u>	<u>5,196,257</u>	<u>5,132,153</u>	<u>-</u>
Interfund Transfers	150,000	150,000	120,220	-
Total Expenditures	<u>\$ 84,200,420</u>	<u>\$ 84,200,420</u>	<u>76,791,960</u>	<u>\$ 2,934,643</u>
Excess Revenues / Expenditures			<u>\$ 3,285,003</u>	
Unencumbered Balance				<u>8,040</u>
				<u>1,448</u>
				<u>62,301</u>
				<u>60,502</u>
				<u>348,245</u>
				<u>69,758</u>
				<u>550,294</u>
				<u>198,205</u>
				<u>135,006</u>
				<u>470,599</u>
				<u>121,256</u>
				<u>175,474</u>
				<u>83,964</u>
				<u>1,184,504</u>
				<u>78,822</u>
				<u>9,981</u>
				<u>2,556,332</u>
				<u>64,104</u>
				<u>64,104</u>
				<u>29,780</u>
				<u>4,473,817</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 auditors' report.

SAYVILLE UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND USE OF UNRESERVED FUND BALANCE-GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 81,779,400
Add: Prior years encumbrances	<u>2,421,020</u>
Original Budget	84,200,420
Budget Amendments	<u>-</u>
Final Budget	<u><u>\$ 84,200,420</u></u>

Next year's voter approved budget	<u><u>\$ 85,674,961</u></u>
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USE OF ASSIGNED: APPROPRIATED AND UNASSIGNED FUND BALANCE

Assigned: Appropriated and Unassigned Fund Balance	
As of the beginning of the year	\$ 9,929,359
Less: Designated fund balance used for the levy of taxes - Adopted Budget	<u>2,500,000</u>
Unassigned Fund Balance - As of the beginning of the year	<u><u>\$ 7,429,359</u></u>

See paragraph on supplementary schedules included in auditors' report.

SAYVILLE UNION FREE SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS-POSTEMPLOYMENT BENEFITS PLAN
 JUNE 30, 2012

<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%

See paragraph on supplementary schedules included in auditors' report

SAYVILLE UNION FREE SCHOOL DISTRICT
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
 JUNE 30, 2012

PROJECT TITLE	Appropriation		Expenditures to Date			Unexpended Balance
	Original	Revised	Prior Year's	Current Year	Total	
Energy Performance Contract	\$ 7,166,844	\$ 7,166,844	\$ -	\$ 5,944,552	\$ 5,944,552	\$ 1,222,292
Garfield Avenue Maintenance Facility	1,108,000	1,108,000	120,356	272,342	392,698	715,302
Library Bond Project	12,988,600	13,055,707	11,758,440	782,220	12,540,660	515,047
2007 Bond Projects - School District Improvements	12,940,517	12,941,402	11,363,774	1,041,307	12,405,081	536,321
Total	\$ 34,203,961	\$ 34,271,953	\$ 23,242,570	\$ 8,040,421	\$ 31,282,991	\$ 2,988,962

See paragraph on supplementary schedules included in auditors' report

SAYVILLE UNION FREE SCHOOL DISTRICT
 SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
 COMPARED TO ST-3 DATA
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Property Taxes	A - 1001	\$ 48,490,301	\$ 48,490,301
Non-property Taxes	AT - 1199	-	-
State Aid	AT - 3999	22,366,899	22,366,899
Federal Aid	AT - 4999	49,284	49,284
Total Revenues	AT - 5999	80,076,963	80,076,963
EXPENDITURES			
General Support	AT - 1999	9,196,223	9,196,223
Pupil Transportation	AT - 5599	3,246,130	3,246,130
Debt Service - Principal	AT - 9798.6	3,600,000	3,600,000
Debt Service - Interest	AT - 9798.7	1,532,153	1,532,153
Total Expenditures	AT - 9999	76,791,960	76,791,960

See paragraph on supplementary schedules included in auditors' report.

SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OR RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2012

Capital Assets, Net		\$	60,908,836
Deduct:			
Short-term Portion of Bonds Payable	\$	3,710,000	
Long-term Portion of Bond Payable		30,935,000	
Short-term Portion of Energy Performance Contract		235,661	
Long-term Portion of Energy Performance Contract		<u>6,931,183</u>	<u>(41,811,844)</u>
			19,096,992
Add:			
Unspent Bond Proceeds/Energy Performance Contract			2,273,660
Investment in Capital Assets, Net of Related Debt		\$	<u><u>21,370,652</u></u>

See paragraph on supplementary schedules included in auditors' 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 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 9, 2012. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Sayville Union Free School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 grants, with which noncompliance 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 that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Sayville Union Free School District in a separate letter dated October 9, 2012.

This report is intended solely for the information of the Board of Education, District's management, legislative or regulatory bodies, federal awarding agencies and, if applicable, pass-through entities, and should not be used by anyone other than these specified parties.

Pappas & Company

*October 9, 2012
Commack, New York*