

**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, 2011**

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



# Pappas & Company

CERTIFIED PUBLIC ACCOUNTANTS

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## 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, 2011, 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.*

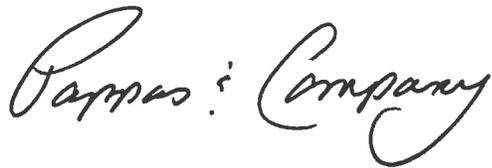
*We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan 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, 2011, 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 4, 2011, 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 above the date and location text.

*October 4, 2011  
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, 2011. 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, 2011 were \$22,689,425. (For details please refer to Exhibit 1 in the Financial Statement section).
- Overall general revenues for all funds were \$79,825,091, which were less than expenditures by \$2,702,409 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, 2011 was \$23,147,555. Of this amount, \$7,429,359 is available for spending at the government's discretion (unassigned).
- \$3,460,000 of principal was paid down on serial bond debt during the fiscal year.
- The District continues to offer all programs.
- The proposed 2011-2012 budget in the amount of \$81,779,400 was approved by the District's residents.

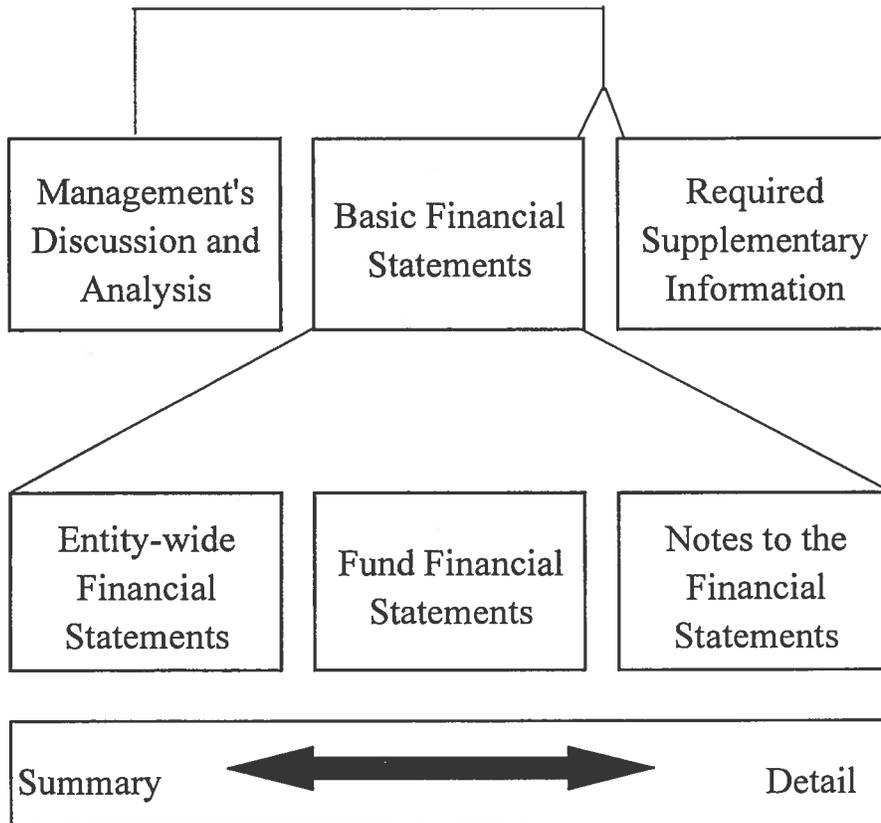
### OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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



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

<b>TABLE A-2</b>			
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes In fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and Economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, 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, 2011, than they were the year before, decreasing 10.65% to \$22,689,425. (See Table A-3)

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

	<u>Governmental Activities</u>		Total Percentage Change
	<u>2011</u>	<u>Recast 2010</u>	
Current and Other Assets	\$ 32,156	\$ 36,672	
Capital Assets	55,616	51,439	
Total Assets	<u>87,772</u>	<u>88,111</u>	<u>(0.04)%</u>
Current Liabilities	8,844	9,108	
Non-Current Liabilities	56,239	53,611	
Total Liabilities	<u>65,083</u>	<u>62,719</u>	<u>3.77%</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	20,235	19,287	
Restricted	13,661	20,472	
Unrestricted	<u>(11,207)</u>	<u>(14,367)</u>	
Total Net Assets	<u>22,689</u>	<u>25,392</u>	<u>(10.65)%</u>

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

Non-current liabilities within the grouping had a decrease in serial bonds but the postemployment benefit obligations and compensated absences increased.

- 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

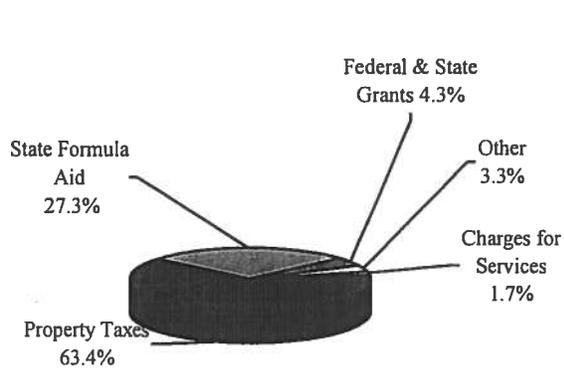
**Table A-4**  
**Changes In Net Assets From Operating Results (in thousands of dollars)**

	Governmental Activities		Total Percentage Change
	2011	2010	
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services	\$ 1,364	\$ 1,393	
Operating Grants	3,456	4,752	
<b>General Revenues</b>			
Property Taxes and Tax Items	50,627	48,010	
State Formula Aid	21,776	22,473	
Other	2,602	3,708	
<b>Total Revenues</b>	<b>\$ 79,825</b>	<b>\$ 80,336</b>	<b>(0.6)%</b>
<b>Expenses</b>			
General Support	12,590	12,115	
Instruction	63,706	64,920	
Pupil Transportation	3,284	3,230	
Community Service	156	173	
Debt Interest	1,660	1,545	
School Lunch Program	1,131	1,040	
<b>Total Expenses</b>	<b>82,527</b>	<b>83,023</b>	<b>(0.6)%</b>
<b>Decrease In Net Assets:</b>	<b>\$ (2,702)</b>	<b>\$ (2,687)</b>	

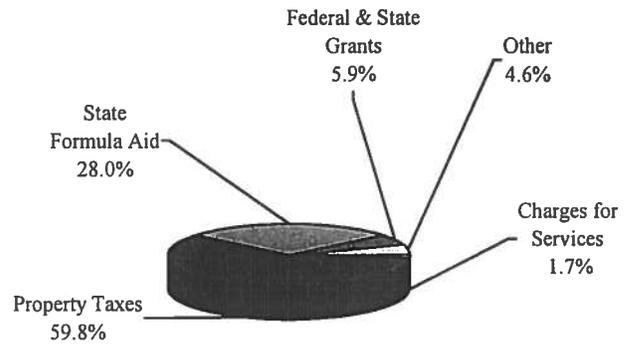
### Revenues

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

**Table A-5**  
**Source of Revenues for Governmental Activities Fiscal Year**  
**2011**



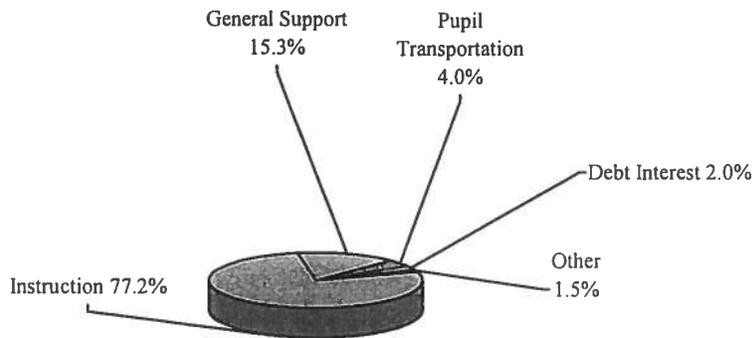
**2010**



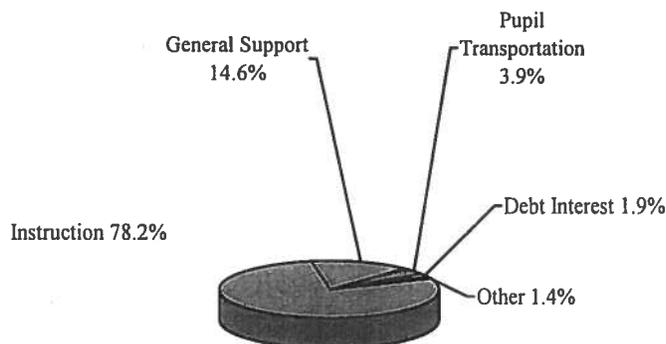
***Expenses***

The District's expenses are predominantly related to general instruction, pupil services and transporting students. The District's general support activities accounted for 15.3 percent of expenses. On the charts, "Other" includes community service and the school lunch program.

**Table A-6**  
**Expenses for Fiscal Year 2011**



## Expenses for Fiscal Year 2010



### *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)**

	2011		2010	
	Total Cost	Net Cost	Total Cost	Net Cost
General Support	\$ 12,590	\$ 12,590	\$ 12,115	\$ 12,115
Instruction	63,706	60,001	64,920	59,752
Pupil Transportation	3,284	3,284	3,230	3,230
Debt Interest	1,660	1,660	1,545	1,545
Community Service	156	156	173	173
School Lunch	1,131	17	1,040	62
<b>Total</b>	<b>\$ 82,527</b>	<b>\$ 77,708</b>	<b>\$ 83,023</b>	<b>\$ 76,877</b>

- Most of the net costs of \$77,707,616 were financed by District's taxpayers and government aid.
- The total costs of all government activities this year was \$82,527,500.
- The users of the District's programs funded \$1,363,739 of the cost by "charges for services". Operating grants of \$3,456,145 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, 2011, the District's governmental funds reported a combined fund balance of \$26,999,209, which is a decrease of \$4,283,214 from the prior year. This decrease is due to an excess of expenditures over revenues based upon the modified accrual basis of accounting and mainly reflects capital outlay. A summary of the change in fund balance by fund presented in accordance with GASB 54 classifications is as follows. Certain 2010 amounts have been reclassified for comparative purposes to conform to the 2011 presentation. There was no change in the 2010 totals.

	<u>2011</u>	<u>2010</u>	<u>Changes</u>
<b>General Fund</b>			
Restricted:			
Bonded debt	\$ 98,489	\$ 180,146	\$ (81,657)
Employee benefit accrued liability	8,433,042	8,697,156	(264,114)
Retirement contribution	1,033,522	1,031,378	2,144
Workers' compensation	843,923	764,355	79,568
Unemployment insurance	388,200	246,943	141,257
Assigned:			
Appropriated fund balance	2,500,000	2,500,000	-
Unappropriated fund balance	2,421,020	1,860,765	560,255
Unassigned	7,429,359	5,449,818	1,979,541
	<u>23,147,555</u>	<u>20,730,561</u>	<u>2,416,994</u>
<b>School Lunch Fund</b>			
Nonspendable: Inventory	16,099	19,169	(3,070)
Unassigned	(16,099)	(17,937)	1,838
	<u>-</u>	<u>1,232</u>	<u>(1,232)</u>
<b>Capital Projects Fund</b>			
Restricted for bonded capital projects	2,864,010	9,552,275	(6,688,265)
Assigned:			
Unappropriated fund balance	987,644	998,355	(10,711)
	<u>3,851,654</u>	<u>10,550,630</u>	<u>(6,698,976)</u>
	<u>\$ 26,999,209</u>	<u>\$ 31,282,423</u>	<u>\$ (4,283,214)</u>

#### A. General Fund

The net change in the general fund – fund balance is an increase of \$2,416,994 as revenues of \$76,441,015 exceeded expenditures of \$74,024,021.

#### B. School Lunch Fund

The school lunch fund – fund balance decreased \$1,232. Both revenue and expenditures increased compared to the prior year but the end result was that excess expenditures over revenues eliminated the fund balance.

#### C. Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$6,698,976 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:

- The District's general fund adopted budget for the year ended June 30, 2011 was \$78,735,453. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,860,765 and budget revisions of \$16,175 for a total final budget of \$80,612,393.
- The District's final budget for the General Fund anticipates that revenues and expenditures would be roughly equal. The actual results for the year show an excess of revenues over expenditures of \$2,416,994. Encumbrances for goods and services at year end amounted to \$2,421,020.
- An available amount of fund balance - \$2,500,000 has been appropriated to partially fund its 2011-12 approved operating budget.
- The establishing and funding of appropriate reserves has provided for future liability obligations thus reducing the resources needed in the annual operating budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets***

By June 30, 2011, the District had invested \$55,616,230 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 \$2,722,400 and additions to building improvements and machinery and equipment amounted to \$6,899,083 net of prior construction in progress that has been reclassified to depreciable assets- "Buildings".

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

	Governmental Activities	
	2011	2010
Land	\$ 318	\$ 318
Construction in Progress	10,340	17,143
Buildings	42,643	32,511
Site Improvements	13	3
Machinery/Equipment/Vehicles	2,302	1,464
<b>Total</b>	<b>\$ 55,616</b>	<b>\$ 51,439</b>

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

***Long-Term Debt***

At year-end, the District had \$34,645,000 (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	
	2011	2010
Serial Bonds	\$ 34,645	\$ 38,245
Compensated Absences	6,882	6,599
Net OPEB Obligation	14,712	8,767
<b>Total</b>	<b>\$ 56,239</b>	<b>\$ 53,611</b>

## FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

- 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 may 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 ability to continually 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.
- The budget shortfall created due to the temporary fiscal effect Federal stimulus (ARRA funds) and Jobs Funds monies have had on New York State public schools.
- New York State's ability to fund the large revenue shortfall left in the State budget when the temporary Federal stimulus monies run out.
- 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.
- Ability of the financial markets and the 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, 2011

**ASSETS**

Current Assets:	
Cash	\$ 28,492,513
Restricted Cash	1,009,953
Accounts Receivable	75,596
State and Federal Aid Receivable	2,562,144
Due from Fiduciary Fund	41
Inventories	16,099
Total Current Assets	<u>32,156,346</u>
Non-Current Assets:	
Capital Assets-Not Being Depreciated	10,658,731
Capital Assets Being Depreciated, Net of Accumulated Depreciation	44,957,499
Total Assets	<u>\$ 87,772,576</u>

**LIABILITIES**

Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 1,443,115
Bond Interest and Matured Bonds	40,480
Accrued Interest Payable-Bonds	86,965
Due to Other Governments	592
Serial Bonds Payable - Due Within One Year	3,600,000
Due To Teachers' Retirement System	3,032,257
Due To Employees' Retirement System	368,718
Compensated Absences Payable-Due Within One Year	156,887
Deferred Revenues	115,088
Total Current Liabilities and Deferred Revenues	<u>8,844,102</u>
Non-Current Liabilities:	
Serial Bonds Payable	34,645,000
Net OPEB Obligation	14,711,987
Compensated Absences Payable	6,882,062
Total Non-Current Liabilities	<u>56,239,049</u>
Total Liabilities and Deferred Revenues	<u>65,083,151</u>

**NET ASSETS**

Investment in Capital Assets, Net of Related Debt	20,235,240
Restricted	13,661,186
Unrestricted (Deficit)	(11,207,001)
Total Net Assets	<u>\$ 22,689,425</u>

SAYVILLE UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b><u>FUNCTIONS/PROGRAMS</u></b>				
General Support	\$ 12,590,192	\$ -	\$ -	\$ (12,590,192)
Instruction	63,706,291	449,053	3,256,793	(60,000,445)
Pupil Transportation	3,284,343	-	-	(3,284,343)
Community Service	156,012	-	-	(156,012)
Debt Interest Expense	1,659,854	-	-	(1,659,854)
School Lunch Program	<u>1,130,808</u>	<u>914,686</u>	<u>199,352</u>	<u>(16,770)</u>
Total Functions and Programs	<u>\$ 82,527,500</u>	<u>\$ 1,363,739</u>	<u>\$ 3,456,145</u>	<u>(77,707,616)</u>
 <b><u>GENERAL REVENUES</u></b>				
Real Property Taxes				44,513,909
Other Tax Items Including STAR Reimbursement				6,113,292
Use of Money and Property				1,726,346
Sale of Property and Compensation for Loss				112,183
Miscellaneous				547,824
Medicaid Reimbursement				215,571
State Aid-General				<u>21,776,082</u>
Total General Revenues				<u>75,005,207</u>
Change in Net Assets				(2,702,409)
Total Net Assets - Beginning of Year				<u>25,391,834</u>
Total Net Assets - End of Year				<u>\$ 22,689,425</u>

See Accompanying Notes to the Basic Financial Statements.

**SAYVILLE UNION FREE SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011**

					Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Total
<b>ASSETS</b>					
Cash	\$ 24,346,804	\$ 119,894	\$ 38,678	\$ 3,987,137	\$ 28,492,513
Restricted Cash	1,009,953	-	-	-	1,009,953
State and Federal Aid Receivable	1,218,423	1,332,633	11,088	-	2,562,144
Due From Other Funds	1,490,048	-	-	-	1,490,048
Accounts Receivable	73,778	-	1,818	-	75,596
Inventories	-	-	16,099	-	16,099
Total Assets	<u>\$ 28,139,006</u>	<u>\$ 1,452,527</u>	<u>\$ 67,683</u>	<u>\$ 3,987,137</u>	<u>\$ 33,646,353</u>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Liabilities	\$ 1,293,941	\$ 124,838	\$ 24,336	\$ -	\$ 1,443,115
Bond Interest and Matured Bonds	40,480	-	-	-	40,480
Due To Other Funds	-	1,325,584	28,940	135,483	1,490,007
Due To Other Governments	-	-	592	-	592
Due To Teachers' Retirement System	3,032,257	-	-	-	3,032,257
Due To Employees' Retirement System	368,718	-	-	-	368,718
Compensated Absences Payable	156,887	-	-	-	156,887
Deferred Revenues	99,168	2,105	13,815	-	115,088
Total Liabilities and Deferred Revenues	<u>4,991,451</u>	<u>1,452,527</u>	<u>67,683</u>	<u>135,483</u>	<u>6,647,144</u>
<b>Fund Balances:</b>					
Nonspendable					
Inventory	-	-	16,099	-	16,099
Restricted					
Bonded Capital Projects				2,864,010	2,864,010
Bonded Debt	98,489	-			98,489
Employee Benefit Accrued Liability	8,433,042	-			8,433,042
Retirement Contribution	1,033,522	-			1,033,522
Workers' Compensation	843,923	-			843,923
Unemployment Insurance	388,200	-			388,200
Assigned:					
Appropriated Fund Balance	2,500,000	-			2,500,000
Unappropriated Fund Balance	2,421,020	-		987,644	3,408,664
Unassigned	7,429,359	-	(16,099)		7,413,260
Total Fund Balances	<u>23,147,555</u>	<u>-</u>	<u>-</u>	<u>3,851,654</u>	<u>26,999,209</u>
Total Liabilities and Fund Balances	<u>\$ 28,139,006</u>	<u>\$ 1,452,527</u>	<u>\$ 67,683</u>	<u>\$ 3,987,137</u>	<u>\$ 33,646,353</u>

SAYVILLE UNION FREE SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

Total Governmental Fund Balances	\$	26,999,209
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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	\$	93,648,930	
Accumulated depreciation		<u>(38,032,700)</u>	55,616,230

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		38,245,000	
Accrued interest on bonds payable		86,965	
Compensated absences		6,882,062	
Net OPEB obligation		<u>14,711,987</u>	<u>(59,926,014)</u>

Total Net Assets	\$	<u>22,689,425</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, 2011

	Governmental Fund Types				Governmental Funds Total
	General	Special Aid	School Lunch	Capital Projects	
<b>Revenues:</b>					
Real Property Taxes	\$ 44,513,909	-	-	-	\$ 44,513,909
Real Property Tax Items (Including STAR Reimbursement)	6,113,292	-	-	-	6,113,292
Charges for Services	449,053	-	-	-	449,053
Use of Money and Property	1,726,168	-	178	-	1,726,346
Sale of Property and Compensation for Loss	112,183	-	-	-	112,183
Miscellaneous	468,097	-	-	57,107	537,179
State and Local Sources	21,776,082	470,402	11,975	-	22,261,343
Medicaid Reimbursement	215,571	-	14,859	-	215,571
Federal Sources	1,061,337	1,725,054	141,560	-	2,927,951
Surplus Food	-	-	42,933	-	42,933
Sales-School Breakfast and Lunch Program	-	-	914,686	-	914,686
<b>Total Revenues</b>	<b>76,435,692</b>	<b>2,195,456</b>	<b>1,126,191</b>	<b>57,107</b>	<b>79,814,446</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General Support	9,619,695	-	-	-	9,619,695
Instruction	40,983,112	2,139,867	-	-	43,122,979
Pupil Transportation	3,082,283	172,732	-	-	3,255,015
Community Services	101,547	-	-	-	101,547
Employee Benefits	15,003,234	-	86,157	-	15,089,391
Cost of Sales	-	-	1,041,266	-	1,041,266
Debt Service:					
Principal	3,460,000	-	-	-	3,460,000
Interest	1,657,007	-	-	-	1,657,007
Capital Outlay	-	-	-	6,750,760	6,750,760
<b>Total Expenditures</b>	<b>73,906,878</b>	<b>2,312,599</b>	<b>1,127,423</b>	<b>6,750,760</b>	<b>84,097,660</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,528,814</b>	<b>(117,143)</b>	<b>(1,232)</b>	<b>(6,693,653)</b>	<b>(4,283,214)</b>
<b>Other Sources and (Uses):</b>					
Operating Transfers In	5,323	117,143	-	-	122,466
Operating Transfers Out	(117,143)	-	-	(5,323)	(122,466)
<b>Total Other Sources (Uses)</b>	<b>(111,820)</b>	<b>117,143</b>	<b>-</b>	<b>(5,323)</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other (Uses)</b>	<b>2,416,994</b>	<b>-</b>	<b>(1,232)</b>	<b>(6,698,976)</b>	<b>(4,283,214)</b>
<b>Fund Balance Beginning of Year</b>	<b>20,730,561</b>	<b>-</b>	<b>1,232</b>	<b>10,550,630</b>	<b>31,282,423</b>
<b>Fund Balance End of Year</b>	<b>\$ 23,147,555</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,851,654</b>	<b>\$ 26,999,209</b>

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, 2011

Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	\$	(4,283,214)
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Amounts reported for governmental activities in the Statement of Activities are different because:

**Capital Related Differences:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However for governmental activities, those costs are capitalized and shown in the Statement of Net Assets and allocated over their useful lives as annual depreciation expense in the Statement of Activities.

Capital outlays-net of prior year Construction in Progress rollover	\$ 6,888,438	
Depreciation expense	<u>(2,722,400)</u>	4,166,038

Donation of assets from outside organizations-related to athletics		10,645
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**Long-Term Debt Transaction Differences**

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.

3,460,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the government funds because interest is recorded as an expenditure in funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due.

Accrued interest for June 30, 2010 to June 30, 2011 increased by		(2,847)
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**Long-Term Expense Differences**

In the Statement of Activities, certain operating expenses are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

Increase in estimated Compensated Absences	108,045	
Increase in Postemployment benefits (Net OPEB Obligation)	<u>5,944,986</u>	<u>(6,053,031)</u>

Changes in Net Assets of Governmental Activities	\$	<u>(2,702,409)</u>
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SAYVILLE UNION FREE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	Private Purpose Fund	Agency Fund
<b>ASSETS</b>		
Cash	\$ 533,540	\$ 1,156,432
Total Assets	<u>533,540</u>	<u>1,156,432</u>
<b>LIABILITIES</b>		
Extraclassroom Activity Balances		219,753
Group Insurance		867,389
Due to Other Funds		41
Other Liabilities		69,249
Total Liabilities	<u>-</u>	<u>\$ 1,156,432</u>
<b>NET ASSETS</b>		
Held in Trust For:		
Endowment Scholarships	533,540	
Total Net Assets	<u>\$ 533,540</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, 2011

	<u>Private Purpose Fund</u>
<b>ADDITIONS</b>	
Gifts and Donations	\$ 45,806
Interest	1,845
Total Additions	<u>47,651</u>
<b>DEDUCTIONS</b>	
Scholarship Expenses	<u>16,135</u>
Total Deductions	<u>16,135</u>
Change in Net Assets	31,516
Net Assets Beginning	502,024
Net Assets Ending	<u>\$ 533,540</u>

See Accompanying Notes to the Basic Financial Statements.

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

**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.

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

**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, 2011, the District was billed \$6,865,776 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, 2011

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 and acquisitions under capital leases are reported as other financing sources.

**E) Adoption of new accounting standard:**

In February 2009, GASB released GASB Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions*, which was implemented by the District during the year ended June 30, 2011. GASB 54 requires local governments to focus on the constraints imposed upon resources when reporting fund balance in governmental funds. The new fund balance components will indicate the level of constraints placed upon how resources can be spent and identify the sources of these constraints. In addition, GASB 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications, nonspendable, restricted, committed, assigned and unassigned.

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

**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.

**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 inventoriable 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, 2011

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

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

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:**

Fund balance reserves currently in use by the District include the following:

**Reserve for Encumbrances**

Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year. 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 termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for 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 either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted in the General Fund.

**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§6-1) 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.

**O) Fund Balance Reporting:**

The District has adopted GASB 54 for 2010-2011 fiscal year reporting. Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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GASB 54 provides for two major types of fund balances, which are 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.

In addition to the nonspendable fund balance GASB 54 has provided a hierarchy of 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.

Committed:

Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. 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.

Unassigned:

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

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.

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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.

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

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

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

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

**Q) 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 reservations of fund balance since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Sayville Union Free School District  
Notes to the Basic Financial Statements  
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**R) 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.

**S) 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.

**T) Short-term debt:**

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

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

Sayville Union Free School District  
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U) **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.

Sayville Union Free School District  
Notes to the Basic Financial Statements  
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**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 2011, 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.

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.

Sayville Union Free School District  
Notes to the Basic Financial Statements  
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**Note 5 – Capital assets:**

Capital asset balances and activity for the year ended June 30, 2011:

	Beginning Balance	Additions	Retirements/ Reclass.	Ending Balance
<b>Governmental Activities:</b>				
<b>Capital Assets That Are Not Depreciated:</b>				
Land	\$ 318,490	\$ -	\$ -	\$ 318,490
Construction in Progress	17,142,767	6,189,716	(12,992,242)	10,340,241
Total Nondepreciable Cost	\$ 17,461,257	\$ 6,189,716	\$ (12,992,242)	\$ 10,658,731
<b>Capital Assets That Are Depreciated:</b>				
Buildings/Building Improvements	\$ 65,368,095	\$ 12,580,165	\$ -	\$ 77,948,260
Site Improvements	555,747	10,645	-	566,392
Machinery and Equipment	2,757,964	1,094,329	(18,599)	3,833,694
Vehicles	625,383	16,470	-	641,853
Total Depreciable Cost	69,307,189	13,701,609	(18,599)	82,990,199
<b>Less:</b>				
<b>Accumulated Depreciation:</b>				
Buildings/Building Improvements	32,856,848	2,448,043	-	35,304,891
Site Improvements	552,971	927	-	553,898
Machinery and Equipment	1,450,449	234,948	(18,599)	1,666,798
Vehicles	468,631	38,482	-	507,113
Total Accumulated Depreciation	35,328,899	2,722,400	(18,599)	38,032,700
Total Depreciable-Net	\$ 33,978,290	\$ 10,979,209	\$ -	\$ 44,957,499
Grand Total	\$ 51,439,547	\$ 17,168,925	\$ (12,992,242)	\$ 55,616,230

Depreciation has been allocated to governmental functions as follows:

General Support	\$ 186,442
School Lunch Program	6,353
Instruction	2,529,605
Total Depreciation Expense	\$ 2,722,400

**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.

Sayville Union Free School District  
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Year Ended June 30, 2011

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 was \$11,701,333 at June 30, 2011. This amount is included in the reclassification total for Construction in Progress caption in Capital Assets- Note 5 that has been moved to Depreciable assets during the 2010-11 fiscal year.

**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.

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

	Beginning Balance	Issued	Redeemed	Ending Balance
General Fund - TANs	\$ -	\$ 3,380,000	\$ 3,380,000	\$ -
Total	\$ -	\$ 3,380,000	\$ 3,380,000	\$ -

Short Term interest amounted to \$10,018.

**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:					
Serial Bonds Payable	\$ 41,705,000	\$ -	\$ 3,460,000	\$ 38,245,000	\$ 3,600,000
Other Liabilities:					
Compensated Absences	7,299,304	-	260,355	7,038,949	156,887
Total Long-Term Liabilities	\$ 49,004,304	\$ -	\$ 3,720,355	\$ 45,283,949	\$ 3,756,887

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

Sayville Union Free School District  
Notes to the Basic Financial Statements  
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Bond Issue	Year of Maturity	Interest Rate %	Outstanding June 30, 2011	Current
1994	2014	5.350-5.500	\$ 975,000	\$ 325,000
2002-A	2016	4.200-4.500	2,050,000	375,000
2002-B	2021	4.375-5.000	2,640,000	210,000
2002-C	2016	3.625-4.250	7,400,000	1,375,000
2002-D	2020	4.125-4.600	1,095,000	105,000
2005	2025	3.750-4.250	1,585,000	85,000
2008	2028	3.125-4.500	11,375,000	575,000
2011	2029	2.000-4.000	11,125,000	550,000
			\$ 38,245,000	\$ 3,600,000

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

Fiscal Year	Principal	Interest	Total
2012	\$ 3,600,000	\$ 1,532,153	\$ 5,132,153
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
2017-2021	8,985,000	3,319,738	12,304,738
2022-2026	7,450,000	1,634,200	9,084,200
2027-2029	3,400,000	247,312	3,647,312
	\$ 38,245,000	\$ 11,421,037	\$ 49,666,037

Interest on long-term debt, after adjustment for accruals, amounted to \$1,649,836.

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

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,490,048	\$ -	\$ 5,323	\$ 117,143
School Lunch Fund	-	28,940	-	-
Special Aid Fund	-	1,325,584	117,143	-
Capital Projects Fund	-	135,483	-	5,323
Total Governmental Activities	\$ 1,490,048	\$ 1,490,007	\$ 122,466	\$ 122,466
Agency Fund	-	41	-	-
Grand Totals	\$ 1,490,048	\$ 1,490,048	\$ 122,466	\$ 122,466

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.

**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, 15<sup>th</sup> 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.

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

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
2008 - 2009	2,272,806	551,520
2009 - 2010	2,401,420	668,712
2010 - 2011	2,413,346	1,086,469

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%.

**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, 2009.

**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.

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

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.

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

Annual Required Contribution (ARC):

Normal Cost	\$ 3,356,459
Amortization of UAAL (26 years)	6,291,798
Interest adjustment to year end	<u>0</u>
Total ARC	<u>9,648,257</u>
Interest on NOO	350,680
Adjustment to ARC	<u>(527,431)</u>
Annual OPEB cost	9,471,506
Contributions made	<u>(3,526,520)</u>
Increase in OPEB obligation	5,944,986
Net OPEB obligation-beginning of year	<u>8,767,001</u>
Net OPEB obligation-end of year	<u>14,711,987</u>

Annual OPEB cost	9,471,506
Percentage of annual OPEB cost contributed	37.2%
Net OPEB obligation-end of year	14,711,987

**Funded Status**

Actuarial Accrued Liability (AAL)	106,852,152
Actuarial value of assets	0
Unfunded Actuarial Accrued Liability	106,852,152
Funded Ratio (Assets as a percentage of AAL)	0%
Annual covered payroll	36,440,730
UAAL as a percentage of covered payroll	293.2%

Fiscal Year Ending	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$ 6,277,956	\$ 3,821,888	60.9%	\$ 2,456,068
6/30/10	9,601,879	3,290,946	34.3%	6,310,933
6/30/11	9,471,506	3,526,520	37.2%	5,944,986
				<u>\$ 14,711,987</u>

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

**Funded Status and Funding Progress**

As of June 30, 2011, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$106.8 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$106.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$36.4 million and the ratio of the UAAL to the covered payroll was 293.2%.

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, 2011, the remaining period was 26 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.

**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
2011	8.5%	7.5%
2012	8.0%	7.0%
2013	7.5%	6.5%
2014	7.0%	6.0%

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.

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

**Note 12 – Risk Management:**

**General Information**

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

**Suffolk School Employees Health Plan**

The Sayville Union Free School District 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, 2011 were approximately \$479,000. The maximum future operating lease payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2012	\$ 458,483
2013	359,868
2014	253,585
2015	137,989
2016	86,227
	<u>\$ 1,296,152</u>

**Note 15 – Contingent Liabilities**

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.

**Note 16 – 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.

SAYVILLE UNION FREE SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND  
 JUNE 30, 2011

REVENUES	Original Budget	Final Budget	Actual Revenues	Over (Under) Budget	Unencumbered Balance
Local Sources					
Real Property Taxes	\$ 44,501,356	\$ 44,501,356	\$ 44,513,909	\$ 12,553	
Real Property Tax Items (Including STAR Reimbursement)	6,188,370	6,188,370	6,113,292	(75,078)	
Charges for Services	439,020	439,020	449,053	10,033	
Use of Money and Property	1,893,608	1,893,608	1,726,168	(167,440)	
Sale of Property and Compensation for Loss	6,100	6,100	112,183	106,083	
Miscellaneous	332,828	335,828	683,668	347,840	
Total Local Sources	<u>53,361,282</u>	<u>53,364,282</u>	<u>53,598,273</u>	<u>233,991</u>	
State Sources	21,703,171	21,703,171	21,776,082	72,911	
Federal Aid	1,086,000	1,086,000	1,061,337	(24,663)	
Interfund Transfer	-	-	5,323	5,323	
Total Revenues	<u>76,150,453</u>	<u>76,153,453</u>	<u>76,441,015</u>	<u>287,562</u>	
Appropriated Fund Balance	4,445,765	4,458,940			
Total Revenues and Appropriated Fund Balance	<u>\$ 80,596,218</u>	<u>\$ 80,612,393</u>			
EXPENDITURES					
General Support:					
Board of Education	62,601	67,775	53,407	810	13,558
Central Administration	322,916	322,916	315,004	9	7,903
Finance	1,007,311	1,002,079	889,549	73,144	39,386
Staff	647,240	651,989	546,770	41,671	63,548
Central Services	7,725,601	7,746,023	6,900,444	352,312	493,267
Special Items	957,846	957,846	914,521	12,910	30,415
Total General Support	<u>10,723,515</u>	<u>10,748,628</u>	<u>9,619,695</u>	<u>480,856</u>	<u>648,077</u>
Instruction:					
Instruction, Administration and Improvement	3,524,586	3,508,198	3,094,625	60,936	352,637
Teaching - Regular School	22,724,728	22,761,744	22,357,140	71,753	332,851
Programs for Children with Handicapping Conditions	9,281,902	9,244,621	8,318,935	703,439	222,247
Occupational Education	587,105	729,334	729,333	-	1
Teaching - Special Schools	167,859	181,034	159,357	1,078	20,599
Instructional Media	3,022,276	2,995,807	2,724,432	172,625	98,750
Pupil Services	3,779,377	3,834,668	3,599,290	8,211	227,167
Total Instruction	<u>43,087,833</u>	<u>43,255,406</u>	<u>40,983,112</u>	<u>1,018,042</u>	<u>1,254,252</u>
Pupil Transportation	3,213,056	3,217,056	3,082,283	50,862	83,911
Community Services	98,078	103,089	101,547	-	1,542
Employee Benefits	17,715,529	17,715,529	15,003,234	871,260	1,841,035
Debt Service					
Principal	3,405,000	3,460,000	3,460,000	-	-
Interest	2,053,207	1,812,685	1,657,007	-	155,678
Subtotal	<u>5,458,207</u>	<u>5,272,685</u>	<u>5,117,007</u>	<u>-</u>	<u>155,678</u>
Interfund Transfers	300,000	300,000	117,143	-	182,857
Total Expenditures	<u>\$ 80,596,218</u>	<u>\$ 80,612,393</u>	<u>74,025,021</u>	<u>2,421,020</u>	<u>\$ 4,167,352</u>
Excess Revenues / Expenditures			2,416,994		

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, 2011

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 78,735,453
Add: Prior years encumbrances	<u>1,860,765</u>
Original Budget	80,596,218
Budget Amendments	<u>16,175</u>
Final Budget	<u>\$ 80,612,393</u>
Next year's voter approved budget	<u>\$ 81,779,400</u>

**USE OF UNRESERVED FUND BALANCE**

Unreserved Fund Balance-As of the beginning of the year	\$ 7,949,818
Less: Designated fund balance used for the levy of taxes - Adopted Budget	<u>2,500,000</u>
Undesignated Fund Balance - As of the beginning of the year	<u>\$ 5,449,818</u>

See paragraph on supplementary schedules included in auditors' report.

SAYVILLE UNION FREE SCHOOL DISTRICT  
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
 JUNE 30, 2011

PROJECT TITLE	Appropriation		Prior Year's	Expenditures to Date		Unexpended Balance
	Original	Revised		Current Year	Total	
Improvements - Various Schools (Budget Appropriations)	\$ 2,975,000	\$ 6,858,029	\$ 6,852,706	\$ 5,323	\$ 6,858,029	\$ -
Garfield Avenue Maintenance Facility	1,108,000	1,108,000	114,968	5,388	120,356	987,644
Library Bond Project	12,988,600	13,045,707	11,567,000	191,440	11,758,440	1,287,267
2007 Bond Projects - School District Improvements	12,940,517	12,940,517	4,809,842	6,553,932	11,363,774	1,576,743
<b>Total</b>	<b>\$ 30,012,117</b>	<b>\$ 33,952,253</b>	<b>\$ 23,344,516</b>	<b>\$ 6,756,083</b>	<b>\$ 30,100,599</b>	<b>\$ 3,851,654</b>

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, 2011

	<u>Account Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
<b>REVENUES</b>			
Property Taxes	A - 1001	\$ 44,513,909	\$ 44,513,909
Non-property Taxes	AT - 1199	6,113,292	6,113,292
State Aid	AT - 3999	21,776,082	21,776,082
Federal Aid	AT - 4999	1,061,337	1,061,337
Total Revenues	AT - 5999	76,441,015	76,441,015
<b>EXPENDITURES</b>			
General Support	AT - 1999	9,619,695	9,619,695
Pupil Transportation	AT - 5599	3,082,283	3,082,283
Debt Service - Principal	AT - 9798.6	3,460,000	3,460,000
Debt Service - Interest	AT - 9798.7	1,657,007	1,657,007
Total Expenditures	AT - 9999	74,024,021	74,024,021

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, 2011

Capital Assets, Net		\$	55,616,230
Deduct:			
Short-term Portion of Bonds Payable	\$	3,600,000	
Long-term Portion of Bond Payable		<u>34,645,000</u>	<u>(38,245,000)</u>
			17,371,230
Add:			
Unspent Bond Proceeds			<u>2,864,010</u>
Investment in Capital Assets, Net of Related Debt		\$	<u><u>20,235,240</u></u>

See paragraph on supplementary schedules included in auditors' report.



# Pappas & Company

CERTIFIED PUBLIC ACCOUNTANTS

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

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

*We have audited 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 4, 2011. 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.*

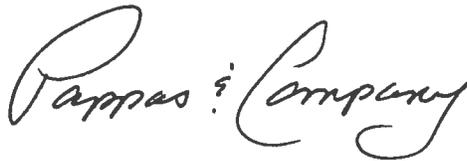
### ***Compliance and Other Matters***

*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 4, 2011.

This communication is intended solely for the information of the Board of Education, District's management, and is not intended to be and should not be used by anyone other than these specified parties.

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

October 4, 2011  
Commack, New York