

**SEAFORD UNION FREE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

# SEAFORD UNION FREE SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Seaford Union Free School District

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

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

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

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

### *Auditor's Responsibility*

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Seaford Union Free School District as of June 30, 2016, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 17 and 59 through 63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Seaford Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2016, on our consideration of the Seaford Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Seaford Union Free School District's internal control over financial reporting and compliance.

*R. S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
September 27, 2016

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The following is a discussion and analysis of the Seaford Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2016. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

**1. FINANCIAL HIGHLIGHTS**

- The District closed the fiscal year ending June 30, 2016 with an unassigned fund balance in its general fund of \$2,612,418.
- On the District-Wide Financial Statements, revenues increased by 9.88% as a result of the sale of Seaford Avenue School, increased property taxes and other tax items and state sources.
- On the District-Wide Financial Statements, expenditures increased approximately 4.73% as a result of an increase in expense for instruction and general support.
- The District adopted a budget of \$65,310,448 for the fiscal ending June 30, 2017.
- In the prior year the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. This resulted in the District recording a net pension liability of \$3,511,535 for the fiscal year ending June 30, 2016, for the Employees' Retirement System, and a net pension asset of \$17,855,568 for the Teachers' Retirement System. The net pension liability/(asset) is the total cost of future pension benefit payments that have already been earned, minus the value of assets available to make the benefits (the net position of the plan). The District also recorded deferred outflows and inflows related to pensions, which will be recognized in future periods.
- The sale of the Seaford Avenue Building and property to BK at Seaford, LLC took place on September 17, 2015. The gross sale of the property was \$5,144,000, which was reduced by real estate agent commissions, attorney's fees and other adjustments based of the final number of units to be built. The net proceeds from the sale of \$4,926,802 along with accrued interest of \$9,668 were placed into a Reserve for Tax Reduction to be appropriated annually over ten or fewer years to offset the District's tax levy.
- On September 3, 2015 the Board of Education passed a resolution to accept the grant of easement from Nassau County for purposes of constructing and utilizing an access road on the property adjacent to the Harbor Elementary School, which is owned by the County. The County has agreed to grant an easement for the Access Road to allow the District to construct the road on the property to serve as additional ingress and egress to the Harbor Elementary School. For purposes of financing the construction of the Access Road, the County has agreed to contribute \$650,000.

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and optional 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 operations in *more detail* than the District-Wide Financial Statements.
- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
- *Fiduciary Funds Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

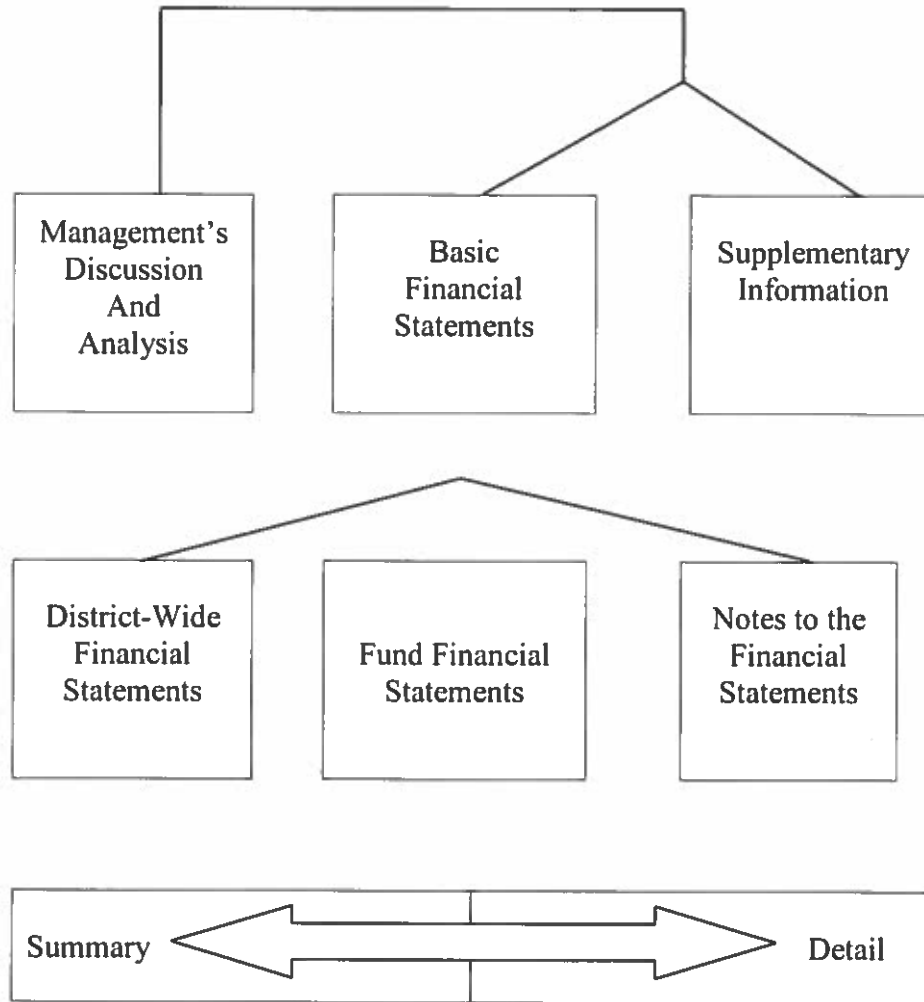


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.



**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Table A-2: Major Features of the District-Wide and Fund Financial Statements

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; 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

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**A) District-Wide Financial Statements:**

The District-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 Financial Statements report the District's net position and how it has changed. Net position, the difference between the assets and deferred inflows of resources, and liabilities and deferred outflows of resources, is one way to measure the financial health or position of the District.

- Over time, increases and decreases in net position is an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

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

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
  - *Net investment in capital assets*;
  - *Restricted net positions* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation.
  - *Unrestricted net position* is net position that does not meet any of the above restrictions.

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**B) Fund Financial Statements:**

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources 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 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 fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Statements, an additional schedule explains 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 aid fund, school lunch fund, debt service fund, and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *Fiduciary funds:* The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and 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 the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A) Net Position:**

The District's total net position increased by \$6,520,501 in the fiscal year ended June 30, 2016, as detailed in Table A-3.

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Table A-3: Condensed Statement of Net Position

	Fiscal Year 2016	Fiscal Year 2015	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets	\$19,645,644	\$13,704,929	\$5,940,715	43.35%
Capital assets, net	25,168,386	26,462,302	(1,293,916)	-4.89%
Net pension asset, proportionate share	17,855,568	19,071,205	(1,215,637)	-6.37%
Total Assets	62,669,598	59,238,436	3,431,162	5.79%
Deferred outflows of resources	6,968,673	5,079,115	1,889,558	37.20%
Total assets and deferred outflows of resources	<u>\$69,638,271</u>	<u>\$64,317,551</u>	<u>\$5,320,720</u>	8.27%
Other liabilities	\$6,285,023	\$6,784,731	(\$499,708)	-7.37%
Long-term liabilities	57,942,131	54,900,384	3,041,747	5.54%
Net pension liability, proportionate share	3,511,535	750,620	2,760,915	367.82%
Total Liabilities	67,738,689	62,435,735	5,302,954	8.49%
Deferred inflows of resources	6,584,533	13,087,268	(6,502,735)	-49.69%
Total liabilities and deferred inflows of resources	<u>74,323,222</u>	<u>75,523,003</u>	<u>(1,199,781)</u>	-1.59%
<b>Net Position</b>				
Net investment in capital assets	5,690,765	6,614,985	(924,220)	-13.97%
Restricted	9,561,957	3,128,545	6,433,412	205.64%
Unrestricted (deficit)	(19,937,673)	(20,948,982)	1,011,309	4.83%
Total Net Position (deficit)	<u>(4,684,951)</u>	<u>(11,205,452)</u>	<u>6,520,501</u>	58.19%
Total liabilities, deferred inflows of resources, and net position	<u>\$69,638,271</u>	<u>\$64,317,551</u>	<u>\$5,320,720</u>	8.27%

Current assets and other assets increased by \$5,940,715 or 43.35% primarily due to an increase in cash as a result of the sale of the Seaford Avenue School, as well as an increase in amounts due from other governments offset by a decrease in state and federal aid receivable. Capital assets (net of depreciation) decreased by \$1,293,916 primarily due to current year depreciation offset by various additions. The net pension asset - proportionate share decreased by \$1,215,637 as a result of the actuarial valuation provided by the state. Other liabilities decreased by \$499,708 or 7.37% primarily due to a decrease in accounts payable and the amounts due to the teachers' and employees' retirement system. Long term liabilities increased by \$3,041,747 or 5.54% primarily due to the increase in the net other post-employment benefits obligation. Net pension liability, proportionate share increased by \$2,760,915 or 367.82% due to changes in the actuarial valuation for ERS. The changes in deferred inflows and outflows represent amortization of pension related items as discussed in Note 12 and in the District's contributions subsequent to the measurement date.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt (net of any unspent proceeds).

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The restricted net position in the amount of \$9,561,957 consists of the District's reserves: tax reduction, employee benefit accrued liability, retirement contribution, workers' compensation, and repair as well as the net position of the debt service fund. This amount increased \$6,433,412 or 205.64% from the prior year. The increase is primarily attributable to the creation of the tax reduction reserve for \$4,936,470 after the sale of the Seaford Avenue School.

The unrestricted deficit in the amount of \$19,937,673 relates to the balance of the District's net position. This number does not include the District's reserves, which are classified as restricted net position. Additionally, in accordance with state guidelines, the District is only permitted to fund other postemployment benefits (OPEB) on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit decreased by \$1,011,309.

Overall, net position increased by \$6,520,501.

**B) Changes in Net Position:**

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2016 and 2015 is as follows:

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Table A-4: Change in Net Position from Operating Results  
Governmental Activities Only

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Total Percentage Change
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for services	\$2,354,985	\$1,998,422	\$356,563	17.84%
Operating grants	1,012,850	997,305	15,545	1.56%
<b>General Revenues</b>				
Property taxes & other tax items	49,402,678	48,311,055	1,091,623	2.26%
State sources	11,410,296	10,829,332	580,964	5.36%
Use of money & property	66,286	62,450	3,836	6.14%
Other	157,784	901,743	(743,959)	-82.50%
<b>Total Revenues</b>	<b>64,404,879</b>	<b>63,100,307</b>	<b>1,304,572</b>	<b>2.07%</b>
<b>Special Item</b>				
Sale of Seaford Ave School	4,926,801		4,926,801	N/A
<b>Total Revenues and Special Items</b>	<b>\$69,331,680</b>	<b>\$63,100,307</b>	<b>\$6,231,373</b>	<b>9.88%</b>
<b>Expenses</b>				
General support	\$6,486,373	\$6,422,745	\$63,628	0.99%
Instruction	52,120,285	49,737,042	2,383,243	4.79%
Pupil transportation	2,837,701	2,605,858	231,843	8.90%
Community service	23,718	23,985	(267)	-1.11%
Debt service - interest	823,611	679,880	143,731	21.14%
Food service program	519,491	502,022	17,469	3.48%
<b>Total Expenses</b>	<b>62,811,179</b>	<b>59,971,532</b>	<b>2,839,647</b>	<b>4.73%</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$6,520,501</b>	<b>\$3,128,775</b>	<b>\$3,391,726</b>	<b>108.40%</b>

The District's fiscal year 2016 revenues totaled \$69,331,680. (See Table A-4). Property taxes and other items and state sources accounted for most of the District's revenue by contributing 71.26% and 16.46%, respectively of total revenue. (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property, the special item, and other miscellaneous sources. The special item revenue is from the sale of Seaford Ave School.

The total cost of all programs and services totaled \$62,811,179 for fiscal year 2016. These expenses are primarily related to instruction (including pupil services) and general support, which account for 93.30% of District expenses. (See Table A-6).

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Table A-5: Revenues for Fiscal Year 2016 (See Table A-4)

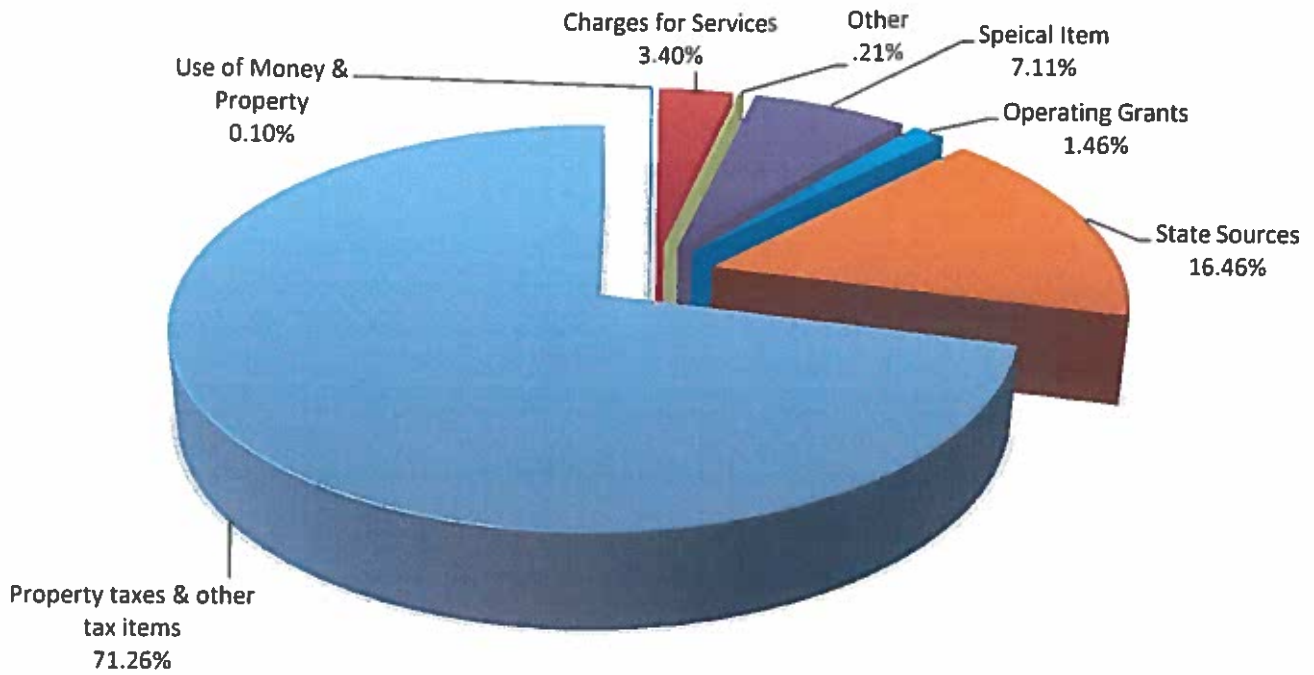
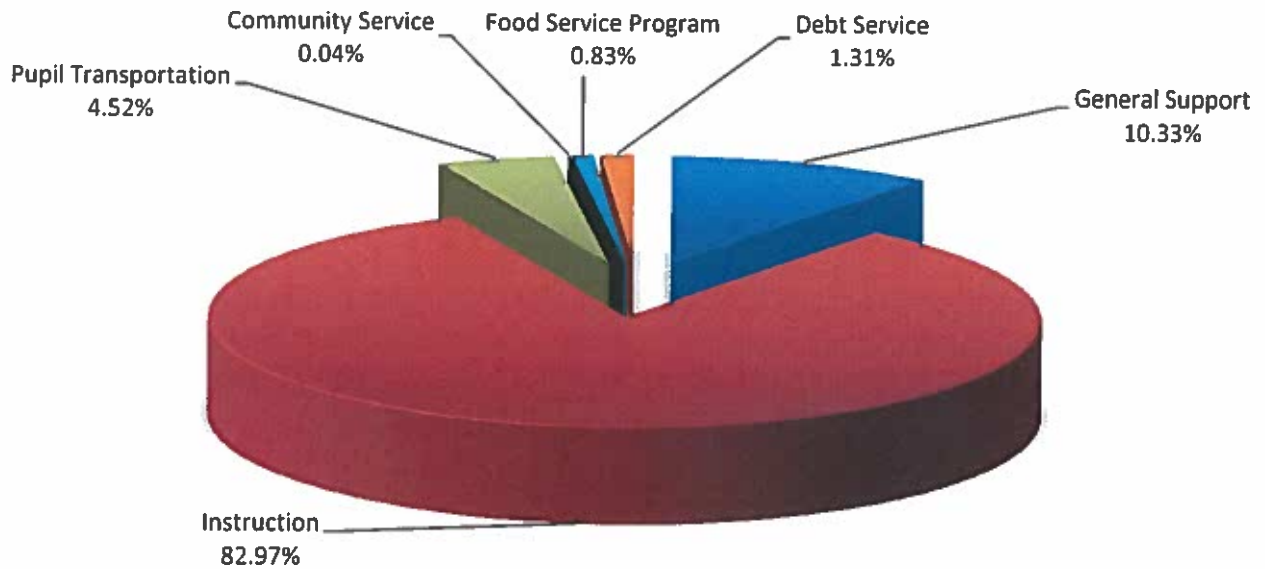


Table A-6: Expenses for Fiscal Year 2016 (See Tables A-4 and A-7)



**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**C) Governmental Activities:**

Revenues for the District's combined governmental activities totaled \$69,331,680 while combined total expenses equaled \$62,811,179, resulting in an increase in net position of \$6,520,501 for 2016. The overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Improved curriculum and community support
- Cost effective purchasing procedures;
- Comprehensive financial planning and diligent oversight of the operating budget;
- Participation in various consortiums;
- Strategic use of services from Nassau BOCES

Table A-7 presents the cost of the major District activities: general support, instruction, pupil transportation, debt service and others. The table also 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

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2015
General support	\$6,486,373	\$6,422,745	\$6,486,373	\$6,422,745
Instruction	52,120,285	49,737,042	49,474,250	47,415,118
Pupil transportation	2,837,701	2,605,858	2,748,240	2,526,124
Community service	23,718	23,985	23,718	23,985
Debt service - interest	823,611	679,880	823,611	679,880
Food service program	519,491	502,022	(112,848)	(92,047)
<b>Total</b>	<b>\$62,811,179</b>	<b>\$59,971,532</b>	<b>\$59,443,344</b>	<b>\$56,975,805</b>

- The cost of all governmental activities this year was \$62,811,179. (Statement of Activities, Expenses column-see Exhibit 3).
- The users of the District's programs financed \$2,354,985 of the cost. (Statement of Activities, Charges for Services column-see Exhibit 3).
- The federal and state governments subsidized certain programs with grants of \$1,012,850 (Statement of Activities, Operating Grants column – see Exhibit 3).



**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- Most of the District's net costs of \$59,443,344 were financed by District taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3)

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Variations between years for the governmental fund financial statements are not the same as variations between years for the District-Wide Financial Statements. The District's governmental funds are presented on the **current financial resources measurement focus** and the **modified accrual basis of accounting**. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2016, the District's combined governmental funds reported a total fund balance of \$13,688,361 which is an increase of \$6,404,155 over the prior year. This increase is primarily due to the establishment of the reserve for tax reduction in the amount of \$4,936,470 as result of the sale of the Seaford Avenue School.

A summary of the change in fund balance for all funds is as follows:

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	2016	2015	Increase (Decrease)	Total Percentage Change
<b>General Fund</b>				
Restricted for tax reduction	\$4,936,470		\$4,936,470	N/A
Restricted for employee benefit accrued liability	2,567,042	\$1,822,506	744,536	40.85%
Restricted for retirement contribution	902,077	500,825	401,252	80.12%
Restricted for workers' compensation	601,689	400,688	201,001	50.16%
Restricted for repairs	150,857	855	150,002	17544.09%
Assigned - designated for subsequent year's expenditures	711,728	711,728	-	0.00%
Assigned - general support	15,177	102,890	(87,713)	-85.25%
Assigned - instruction	5,682	16	5,666	35412.50%
Assigned - employee benefits	150		150	N/A
Unassigned	2,612,418	2,545,514	66,904	2.63%
<b>Total Fund Balance- General Fund</b>	<u>\$12,503,290</u>	<u>\$6,085,022</u>	<u>\$6,418,268</u>	105.48%
<b>School Lunch Fund</b>				
Nonspendable - inventory		\$2,207	(\$2,207)	-100.00%
Assigned	\$223,437	182,758	40,679	22.26%
<b>Total Fund Balance- School Lunch Fund</b>	<u>\$223,437</u>	<u>\$184,965</u>	<u>\$38,472</u>	20.80%
<b>Capital Projects Fund</b>				
Restricted - Unspent proceeds	\$10,200	\$610,548	(\$600,348)	-98.33%
Assigned	547,612	-	547,612	N/A
<b>Total Fund Balance - Capital Projects Fund</b>	<u>\$557,812</u>	<u>\$610,548</u>	<u>(\$52,736)</u>	8.64%
<b>Debt Service Fund</b>				
Restricted for debt service	\$403,822	\$403,671	\$151	0.04%
<b>Total Fund Balance - Debt Service Fund</b>	<u>\$403,822</u>	<u>\$403,671</u>	<u>\$151</u>	0.04%
<b>Total Fund Balance - All Funds</b>	<u>\$13,688,361</u>	<u>\$7,284,206</u>	<u>\$6,404,155</u>	87.92%

The District can attribute changes to fund balance in the general fund primarily due to establishment of the reserve for tax reduction and due to operating results in which revenues exceeded expenditures.

The change in restricted fund balance for the employee benefit accrued liability, retirement contribution, workers' compensation and repair reserve is due to transfers from unassigned fund balance.

The increase in the school lunch fund balance is due to an operating surplus.

The decrease in capital projects fund is due to an increase in capital outlay offset by an interfund transfer.

The increase in debt service fund is due to interest.

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A) 2015-16 Budget:**

The District's general fund budget for the year ended June 30, 2016 was \$63,637,843. This amount was increased by encumbrances carried forward from the prior year in the amount of \$102,906 and budget revisions of \$31,550 which resulted in a final budget of \$63,772,299. The majority of the funding was property taxes and STAR revenue of \$48,669,128.

**B) Change in the General Fund Unassigned Fund Balance (Budget to Actual):**

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

Opening Unassigned Fund Balance	\$2,545,514
Revenues over Budget	4,339
Special Item	4,926,801
Expenditures and Encumbrances Under Budget	2,280,753
Changes in Restricted Fund Balance	(6,433,261)
Appropriated for June 30, 2017 Budget	<u>(711,728)</u>
Closing, Unassigned Fund Balance	<u><u>\$2,612,418</u></u>

The opening unassigned fund balance of \$2,545,514 is the June 30, 2015 unassigned fund balance.

The revenues over budget of \$4,339 were primarily due to other real property tax items and charges for services. Additionally, the District has a Special Item in which they received \$4,926,801 for the sale of the Seaford Avenue School. (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$2,280,753 were primarily in pupil transportation, programs for children with handicapping conditions, central services and employee benefits. (see Supplemental Schedule #1 for detail).

The change in the restricted fund balance of \$6,433,261 is the result of funding the employee benefit accrued liability reserve in the amount of \$739,980 funding the retirement contribution reserve in the amount of \$400,000 funding the workers' compensation reserve in the amount of \$200,000 funding the repair reserve in the amount of \$150,000 and establishing the tax reduction reserve in the amount of \$4,926,801. In addition, interest earnings of \$16,480 were allocated to the reserves.

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The appropriated fund balance for June 30, 2017 budget of \$711,728 represents the amount the District has assigned to partially fund its 2016-2017 budget.

The closing unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes. This amount is limited to 4% of the 2016-2017 budget.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A) Capital Assets:**

The District paid for equipment and various building additions and renovations during the fiscal year 2016. A summary of the District's capital assets net of depreciation is as follows:

Table A-8: Capital Assets (Net of Depreciation)

Category	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	% Change
Land	\$ 1,517,000	\$ 1,517,000	\$ -	0.00%
Construction in progress	184,529	54,181	130,348	240.58%
Buildings & building improvements	43,332,766	43,332,766	-	0.00%
Land improvements	2,853,629	2,853,629	-	0.00%
Furniture & equipment	3,839,896	3,550,739	289,157	8.14%
Vehicles	147,901	147,901	-	0.00%
Subtotal	<u>51,875,721</u>	<u>51,456,216</u>	<u>419,505</u>	0.82%
Less: Accumulated depreciated	<u>26,707,335</u>	<u>24,993,914</u>	<u>1,713,421</u>	6.86%
Total Net Capital Assets	<u>\$ 25,168,386</u>	<u>\$ 26,462,302</u>	<u>\$ (1,293,916)</u>	(4.89%)

The District spent \$130,348 in the capital projects fund and \$293,817 in the general fund on furniture and equipment purchases during the year. Depreciation expense was \$1,717,617 and the District disposed of furniture and equipment with a cost of \$4,660 and accumulated depreciation of \$4,196, resulting in a loss on disposal of \$464.

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**B) Long-Term Debt:**

At June 30, 2016, the District had total bonds payable of \$17,485,000 and energy performance debt payable of \$2,002,821. The decrease in serial bonds and energy performance debt represents principal payments. A summary of outstanding debt at June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Serial bonds payable	\$17,485,000	\$18,245,000	(\$760,000)
Energy performance debt payable	2,002,821	2,212,865	(210,044)
Total	<u>\$19,487,821</u>	<u>\$20,457,865</u>	<u>(\$970,044)</u>

Refer to Note 11 for further detail on long-term debt disclosures.

**7. FACTORS BEARING ON THE DISTRICT'S FUTURE**

- A) The 2016-17 budget is negatively impacted by certain trends impacting school districts. These include the 2% property tax levy limit, unfunded state mandates and increases in health insurance costs.
- B) The general fund budget for the 2016-2017 school year in the amount of \$65,310,448 was approved by the voters. This is an increase of \$1,672,605 or 2.63% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.
- C) On July 8, 2016, the District issued tax anticipation notes in the amount of \$5,000,000 maturing on June 22, 2017, with a net interest rate of 1.0123%.
- D) New York State enacted a law to effectively "freeze" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The law was effective for school districts starting with the 2014-2015 school year. This program will provide an incentive for the District to be tax cap compliant.
- E) The Patient Protection and Affordable Care Act or more commonly referred to as the Affordable Care Act was enacted into law on March 23, 2010. Beginning in 2015, the mandate requires large employers (generally those with fifty (50) or more full-time equivalent employees) to either offer affordable health coverage to full-time employees and their dependents, or pay a penalty if the employer fails to offer affordable health coverage, and at least one full-time employee receives a premium tax credit to help purchase coverage through an Affordable Insurance Exchange. It is anticipated that implementation of this law will increase the health insurance costs for the District.

**SEAFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Seaford Union Free School District  
Ms. Elisa Pellati, CPA  
Assistant Superintendent for Business  
1600 Washington Avenue  
Seaford, New York 11783  
(516) 592-4004

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

<b>ASSETS</b>	
Current assets	
Cash	
Unrestricted	\$5,450,988
Restricted	9,572,157
Receivables	
State and federal aid	882,081
Due from other governments	2,454,269
Due from fiduciary funds	2,465
Taxes receivable	1,270,244
Accounts receivable	14,740
Non-current assets	
Capital assets	
Not being depreciated	1,701,529
Being depreciated, net of accumulated depreciation	23,466,857
Net pension asset - proportionate share	17,855,568
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Pensions	<u>6,968,673</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$69,639,571</u></u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	\$432,500
Accrued liabilities	936,095
Accrued interest payable	345,926
Due to other governments	2,961
Compensated absences payable	629,296
Due to teachers' retirement system	3,694,204
Due to employees' retirement system	230,730
Unearned credits	
Collections in advance	14,611
Long-term liabilities	
Due and payable within one year	
Bonds payable	830,000
Energy performance debt payable	218,215
Compensated absences payable	168,188
Claims payable	485,175
Due and payable after one year	
Bonds payable	16,655,000
Energy performance debt payable	1,784,606
Compensated absences payable	5,121,737
Claims payable	498,990
Net other postemployment benefits obligation	32,180,220
Net pension liability - proportionate share	3,511,535
<b>TOTAL LIABILITIES</b>	<u><u>67,739,989</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	<u>6,584,533</u>
<b>NET POSITION</b>	
Net investment in capital assets	<u>5,690,765</u>
Restricted	
Tax reduction	4,936,470
Employee benefit accrued liability	2,567,042
Retirement contribution	902,077
Workers' compensation	601,689
Repair	150,857
Debt service	403,822
	<u>9,561,957</u>
Unrestricted (Deficit)	<u>(19,937,673)</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u><u>(4,684,951)</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$69,639,571</u></u>

**SEAFORD UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
<b>FUNCTIONS / PROGRAMS</b>				
General support	(\$6,486,373)			(\$6,486,373)
Instruction	(52,120,285)	\$1,874,474	\$771,561	(49,474,250)
Pupil transportation	(2,837,701)		89,461	(2,748,240)
Community services	(23,718)			(23,718)
Debt service- Interest	(823,611)			(823,611)
Food service program	(519,491)	480,511	151,828	112,848
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	(\$62,811,179)	\$2,354,985	\$1,012,850	(59,443,344)
 <b>GENERAL REVENUES</b>				
Real property taxes				41,362,991
Other tax items - including STAR reimbursement				8,039,687
Use of money & property				66,286
Miscellaneous				119,348
State sources				11,410,296
Medicaid reimbursement				38,436
<b>TOTAL GENERAL REVENUES</b>				61,037,044
 <b>SPECIAL ITEM (SEE NOTE 17)</b>				
Gain on the sale of Seaford Ave School				4,926,801
 <b>CHANGE IN NET POSITION</b>				6,520,501
 <b>TOTAL NET POSITION - BEGINNING OF YEAR</b>				(11,205,452)
 <b>TOTAL NET POSITION - END OF YEAR</b>				(\$4,684,951)



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

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$3,819,471		\$314,943	\$101,400	\$1,215,174	\$5,450,988
Restricted	9,158,135			10,200	403,822	9,572,157
Receivables						
State and federal aid	227,703	646,125	8,253			882,081
Taxes receivable	1,270,244					1,270,244
Accounts receivable	9,848		4,892			14,740
Due from other governments	2,454,269					2,454,269
Due from other funds	3,992,515	1,854,972	14,994	683,631	237,395	6,783,507
<b>TOTAL ASSETS</b>	<b>\$20,932,185</b>	<b>\$2,501,097</b>	<b>\$343,082</b>	<b>\$795,231</b>	<b>1,856,391</b>	<b>\$26,427,986</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Payables						
Accounts payable	\$361,480	\$33,586	\$37,410	\$24		\$432,500
Accrued liabilities	934,482	1,613				936,095
Due to other governments	2,493		468			2,961
Due to other funds	2,553,594	2,465,898	71,586	237,395	\$1,452,569	6,781,042
Due to teachers' retirement system	3,694,204					3,694,204
Due to employees' retirement system	230,730					230,730
Compensated absences	629,296					629,296
Unearned credits						
Collections in advance	4,430		10,181			14,611
<b>TOTAL LIABILITIES</b>	<b>8,410,709</b>	<b>2,501,097</b>	<b>119,645</b>	<b>237,419</b>	<b>1,452,569</b>	<b>12,721,439</b>
<b>DEFERRED INFLOW OF RESOURCES</b>						
LIPA PILOT	18,186					18,186
<b>FUND BALANCES</b>						
Restricted						
Reserve for tax reduction	4,936,470					4,936,470
Employee benefit accrued liability	2,567,042					2,567,042
Retirement contribution	902,077					902,077
Workers' compensation	601,689					601,689
Repair	150,857					150,857
Debt service					403,822	403,822
Unspent energy performance proceeds				10,200		10,200
Assigned						
Appropriated fund balance	711,728					711,728
Unappropriated fund balance	21,009		223,437	547,612		792,058
Unassigned Fund balance	2,612,418					2,612,418
<b>TOTAL FUND BALANCES</b>	<b>12,503,290</b>	<b>-</b>	<b>223,437</b>	<b>557,812</b>	<b>403,822</b>	<b>13,688,361</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$20,932,185</b>	<b>\$2,501,097</b>	<b>\$343,082</b>	<b>\$795,231</b>	<b>\$1,856,391</b>	<b>\$26,427,986</b>

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

Total Governmental Fund Balances \$13,688,361

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

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

Original cost of capital assets	\$51,875,721	
Accumulated depreciation	<u>(26,707,335)</u>	25,168,386

Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset- proportionate share at year-end for TRS was: 17,855,568

Deferred inflows of resources - The Statement of Net Position recognized revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. Deferred inflows related to pensions that will be recognized as a reduction in pension expense in future periods amounted to (6,584,533)

Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to 6,968,673

Deferred inflows of resources - LIPA PILOT - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual. 18,186

Payables that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:

Accrued interest payable		(345,926)
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Long-term liabilities are not due and payable in the current period and therefore not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable	(\$17,485,000)	
Energy performance debt payable	(2,002,821)	
Compensated absences payable	(5,289,925)	
Claims payable	(984,165)	
Net other postemployment benefits obligation	(32,180,220)	
Net pension liability - proportionate share (ERS)	<u>(3,511,535)</u>	
		<u>(61,453,666)</u>

Total Net Position (\$4,684,951)

**SEAFORD UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$41,362,991					\$41,362,991
Other tax items - including STAR reimbursement	8,021,501					8,021,501
Charges for services	1,874,474					1,874,474
Use of money and property	66,136				\$150	66,286
Miscellaneous	119,348					119,348
State sources	11,410,296	\$200,402	\$7,660			11,618,358
Federal sources	38,436	660,620	105,709			804,765
Surplus food			38,459			38,459
Sales - school lunch			480,511			480,511
<b>TOTAL REVENUES</b>	<u>62,893,182</u>	<u>861,022</u>	<u>632,339</u>	<u>-</u>	<u>150</u>	<u>64,386,693</u>
<b>EXPENDITURES</b>						
General support	5,227,531					5,227,531
Instruction	37,065,041	847,929				37,912,970
Pupil transportation	2,694,377	89,461				2,783,838
Community service	16,769					16,769
Employee benefits	14,501,101					14,501,101
Debt service- principal					970,044	970,044
Debt service - interest	35,872				805,821	841,693
Cost of sales			525,045			525,045
Capital outlay				\$130,348		130,348
<b>TOTAL EXPENDITURES</b>	<u>59,540,691</u>	<u>937,390</u>	<u>525,045</u>	<u>130,348</u>	<u>1,775,865</u>	<u>62,909,339</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>3,352,491</u>	<u>(76,368)</u>	<u>107,294</u>	<u>(130,348)</u>	<u>(1,775,715)</u>	<u>1,477,354</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	68,822	76,368		77,612	1,775,866	1,998,668
Operating transfers (out)	(1,929,846)		(68,822)			(1,998,668)
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<u>(1,861,024)</u>	<u>76,368</u>	<u>(68,822)</u>	<u>77,612</u>	<u>1,775,866</u>	<u>-</u>
<b>SPECIAL ITEM</b>						
Proceeds from the sale of Seaford Ave School (SEE NOTE 17)	4,926,801					4,926,801
<b>NET CHANGE IN FUND BALANCES</b>	6,418,268	-	38,472	(52,736)	151	6,404,155
<b>FUND BALANCES - BEGINNING OF YEAR</b>	6,085,022	-	184,965	610,548	403,671	7,284,206
<b>FUND BALANCES - END OF YEAR</b>	<u>\$12,503,290</u>	<u>\$ -</u>	<u>\$223,437</u>	<u>\$557,812</u>	<u>\$403,822</u>	<u>\$13,688,361</u>

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

Net Change in Fund Balances		\$6,404,155
Amounts reported for governmental activities in the Statement of Activities are different because:		
<b>Long-Term Revenue and Expense Differences</b>		
In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the year ended June 30, 2016 changed by		
	(206,061)	
Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. The difference in revenues recognized under the full accrual method for the year ended June 30, 2016 is		
	18,186	
Claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Claims payable for the year ended June 30, 2016 changed by		
	(108,728)	
Net other post-employment benefits obligation payable in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. Net other post-employment benefits obligation payable for the year ended June 30, 2016 changed by		
	(3,697,002)	
Increases/decreases in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		
Teachers' retirement system	\$4,779,538	
Employees' retirement system	<u>(363,797)</u>	4,415,741
<b>Capital Related Differences</b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
Capital outlays	\$424,165	
Depreciation expense	(1,717,617)	
Loss on disposal	<u>(464)</u>	(1,293,916)
<b>Long-Term Debt Differences</b>		
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
		760,000
Repayment of energy performance debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
		210,044
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2015 to June 30, 2016 changed by		
		<u>18,082</u>
Change in Net Position		<u>\$6,520,501</u>

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

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash- Restricted	\$42,877	\$263,700
<b>TOTAL ASSETS</b>	<u>\$42,877</u>	<u>\$263,700</u>
<b>LIABILITIES</b>		
Due to other funds		\$2,465
Extraclassroom		124,563
Other liabilities		136,672
<b>TOTAL LIABILITIES</b>	<u>\$ -</u>	<u>\$263,700</u>
<b>NET POSITION</b>		
Restricted for scholarships	42,877	
<b>TOTAL NET POSITION</b>	<u>42,877</u>	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$42,877</u>	

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

	<b>Private Purpose Trust Funds</b>
<b>ADDITIONS</b>	
Gifts and contributions	\$24,375
Interest and earnings	22
<b>TOTAL ADDITIONS</b>	<u>24,397</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	21,544
<b>TOTAL DEDUCTIONS</b>	<u>21,544</u>
<b>CHANGE IN NET POSITION</b>	2,853
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>40,024</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$42,877</u></u>

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of Seaford Union Free School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the District 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 consisting of five (5) members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. 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 and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. 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 an entity that is 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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

District's business office. The District reports these assets held by its agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund. Separate financial statements of the Extraclassroom Activity Funds can be found at the District's business office.

**B) Joint venture:**

The District is a component district in the Nassau Board of Cooperative Educational Services (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.

**C) Basis of presentation:**

i) District-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific grants, if applicable.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program



**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

**General Fund:** This fund 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 Fund:** This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

**Debt Service Fund:** This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

The District reports the following fiduciary funds:

**Fiduciary Funds:** These funds are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-Wide Financial Statements, because their resources do not belong to the District, and are not available to be used. 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 scholarships 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.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 Financial Statements 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. Non-exchange 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 Fund Financial 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) Real property taxes:**

i) Calendar:

Real property taxes are levied annually by the Board of Education no later than August 15, and become a lien on October 1 and April 1. Taxes are collected by the Town of Hempstead during the period of October 1 through November 10, and April 1 through May 10 without penalty.

ii) Enforcement:

Uncollected real property taxes are subsequently enforced by Nassau County (the "County") in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than July.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**F) Restricted resources:**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

**G) Interfund transactions:**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the District-Wide Financial Statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

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

**H) 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 compensated absences, other post-employment benefits, net pension liability/asset, workers' compensation claims, potential contingent liabilities and useful lives of capital assets.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**I) Cash and cash equivalents:**

The District's cash and cash equivalents consist of cash on hand and demand deposits.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

**J) Receivables:**

Receivables 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.

**K) 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 donated by the U.S. Department of Agriculture, at the Government's 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.

Nonspendable fund balance for these non-liquid assets has been recognized in the school lunch to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2016.

**L) Capital assets:**

Capital assets are reflected in the District-Wide Financial Statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at estimated fair market value at the time received.

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

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & Building Improvements	\$500	Straight-line	30 years
Furniture & Equipment	\$500	Straight-line	10 years
Site Improvements	\$500	Straight-line	30 years
Vehicles	\$500	Straight-line	5 years

**M) Collections in advance:**

Collections in advance 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 collections in advance is removed and revenues are recorded.

Collections in advance consist of amounts received in advance for meals that have not yet been purchased in the school lunch fund and for bid retainers in the general fund.

**N) Deferred outflows and inflows of resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. This amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS), changes of assumptions (ERS), the net difference between projected and actual investment earnings on pension plan investments (ERS), changes in proportion and differences between employer contributions and proportionate share of contributions (ERS and TRS), and the District's contributions to the pension systems subsequent to the measurement date (TRS and ERS systems).

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. This amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS and TRS), projected and actual earnings on pension plan investments (TRS), changes in proportion and differences between the District's contributions and proportionate share of contributions (ERS and TRS).

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**O) Vested employee benefits:**

**Compensated absences**

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

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.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the District-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the Fund Financial Statements, only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis. The liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

**P) Other benefits:**

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

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as expenditures in the governmental funds as the liabilities for premiums mature (come due for payment). In the District-Wide Statements, the cost of post-employment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Q) 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 budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient, or no, provision made in the annual budget. The budget note must be repaid no later than the close of second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These 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 purposes be converted to long-term financing within five years after the original issue dated.

**R) Accrued liabilities and long-term obligations:**

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

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

**S) Equity classifications:**

**i) District-Wide Financial Statements:**

In the District-Wide Financial Statements there are three classes of net assets:

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets net of any unexpended proceeds.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Unrestricted net position - reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

ii) Fund Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are three classifications of fund balance presented:

- (1) **Non-spendable fund balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The District did not have any non-spendable fund balance at June 30, 2016.
- (2) **Restricted fund balance** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following as restricted:

Tax Reduction Reserve

Tax reduction reserve (Ed. Law§1604-36 §1709-37) is used to allow for the gradual use of proceeds from the sale of district real property. The Board of Education may establish a tax reduction reserve by a Board of Education resolution. Expenditures from this reserve are to be appropriated annually over ten or fewer years to offset the tax levy.

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML§6-p), must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund under restricted fund balance.



**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Retirement Contribution Reserve

Retirement contribution reserve (GML§6-r), must be used for 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. This reserve is accounted for in the general fund under restricted fund balance.

Workers' Compensation Reserve

Workers' compensation reserve (GML§6-m), must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the general fund under restricted fund balance.

Repair Reserve

Repair reserve (GML§6-d), is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

Debt Service

Unexpended balances of proceeds from borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest are recorded as amounts restricted for debt service and held until appropriated for debt payments. The restricted funds are accounted for in the debt service fund.

Unspent Energy Performance Proceeds

Unspent long-term energy performance proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Scholarships

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

- (3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2016.
  
- (4) **Assigned fund balance** – Includes amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year’s budget. Assigned fund balance also includes Board designations and encumbrances not classified as restricted or committed at the end of the fiscal year.
  
- (5) **Unassigned fund balance** –Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District’s budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation.

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either 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.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**T) Future changes in accounting standards:**

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

GASB has issued Statement No. 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017. This statement defines tax abatements and provides for increased disclosures including authority, eligibility criteria, dollar amount of taxes abated, and other information.

GASB has issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, which is effective for the year ended June 30, 2017. This statement addresses issues in the previously issued pension statements regarding payroll related measures in the required supplementary information, the selection of assumptions and deviations from other guidance, and the treatment of employee (plan member) contributions made by employers.

These are the statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:**

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

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

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

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of the four broad categories. The amounts shown below represent:

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 modified accruals 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 governmental 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 Financial 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 both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Employee benefits allocations:

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balances based on the requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**A) Budgets:**

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 Seaford School District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

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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. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #5.

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

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

**B) Encumbrances:**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as assigned fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:**

**A) Cash:**

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. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

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Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- A) Uncollateralized;
- B) Collateralized with securities held by the pledging financial institution in the District's name; or
- C) Collateralized with securities held by the pledging financial institution's 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.

**Restricted Cash:**

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2016 included \$9,572,157 within the governmental funds for general reserve purposes, debt service, and capital projects and \$306,577 in the fiduciary funds.

**B) Investments:**

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

**NOTE 5 – PARTICIPATION IN BOCES:**

During the year ended June 30, 2016, the District was billed \$4,622,180 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,153,865. Financial statements for the BOCES are available from the Nassau BOCES administrative office at 71 Clinton Road, Garden City, NY 11530-9195.

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**NOTE 6 –STATE AND FEDERAL AID RECEIVABLE:**

State and federal aid receivable at June 30, 2016 consisted of:

<b>General Fund</b>	
Excess cost aid	\$227,703
Total	<u>227,703</u>
<b>Special Aid Fund</b>	
Federal aid	436,713
State aid	188,798
Local aid	20,614
Total	<u>646,125</u>
<b>School Lunch Fund</b>	
Federal aid	7,692
State aid	561
Total	<u>8,253</u>
Total - All funds	<u>\$882,081</u>

District management has deemed the amounts to be fully collectible.

**NOTE 7- DUE FROM OTHER GOVERNMENTS:**

Due from other governments in the general fund at June 30, 2016 consisted of the following:

Nassau County Harbor Access Road	\$650,000
Nassau County CPSE	7,254
Nassau County - LIPA PILOT	18,186
Nassau County - Lighted Pathway	48,842
Tuition and health services - other Districts	895,374
Non-public school districts - special education	38,855
BOCES aid	795,758
Total	<u>\$2,454,269</u>

District management has deemed the amounts to be fully collectible.

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**NOTE 8 - CAPITAL ASSETS:**

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$1,517,000			\$1,517,000
Construction in progress	54,181	\$130,348		184,529
<b>Total capital assets not being depreciated</b>	<b>1,571,181</b>	<b>130,348</b>	<b>-</b>	<b>1,701,529</b>
<b>Capital assets being depreciated:</b>				
Building & building improvements	43,332,766			43,332,766
Land improvements	2,853,629			2,853,629
Furniture and equipment	3,550,739	293,817	(\$4,660)	3,839,896
Vehicles	147,901			147,901
<b>Total capital assets being depreciated</b>	<b>49,885,035</b>	<b>293,817</b>	<b>(4,660)</b>	<b>50,174,192</b>
<b>Less accumulated depreciation:</b>				
Building & building improvements	19,718,786	1,183,942		20,902,728
Land improvements	1,319,054	137,715		1,456,769
Furniture and equipment	3,863,164	394,144	(4,196)	4,253,112
Vehicles	92,910	1,816		94,726
<b>Total accumulated depreciation</b>	<b>24,993,914</b>	<b>1,717,617</b>	<b>(4,196)</b>	<b>26,707,335</b>
<b>Total capital assets being depreciated, net</b>	<b>24,891,121</b>	<b>(1,423,800)</b>	<b>(464)</b>	<b>23,466,857</b>
<b>Capital assets, net</b>	<b>\$26,462,302</b>	<b>(\$1,293,452)</b>	<b>(\$464)</b>	<b>\$25,168,386</b>

Depreciation expense and loss on disposal were charged to governmental functions as follows:

General support	\$ 132,231
Instruction	1,585,850
<b>Total depreciation expense</b>	<b>\$ 1,718,081</b>



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**NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:**

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$3,992,515	\$2,553,594	\$68,822	\$1,929,846
Special aid fund	1,854,972	2,465,898	76,368	
School lunch fund	14,994	71,586		68,822
Capital projects fund	683,631	237,395	77,612	
Debt service fund	237,395	1,452,569	1,775,866	
Total government activities	<u>6,783,507</u>	<u>6,781,042</u>	<u>1,998,668</u>	<u>1,998,668</u>
Private purpose fund				
Fiduciary agency fund		2,465		
Totals	<u>\$6,783,507</u>	<u>\$6,783,507</u>	<u>\$1,998,668</u>	<u>\$1,998,668</u>

The District typically transfers from the general fund to the special aid fund to fund the District's share of summer school handicap expenses required by New York State law and to fund the State Supported Section 4201 schools. The District typically transfers from the general fund to the debt service fund for annual debt service obligations. The District typically transfers from the school lunch fund to the general fund for various utility expenditures utilized by the school lunch operations. The District transferred from the general fund to the capital projects fund to fund projects.

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 - SHORT-TERM DEBT:**

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/21/2016	0.640%	\$ -	\$ 5,900,000	(\$5,900,000)	\$ -
Total			<u>\$ -</u>	<u>\$ 5,900,000</u>	<u>(\$5,900,000)</u>	<u>\$ -</u>

Interest expense on short-term debt for the year was \$35,872.

The TAN was issued for interim financing of general fund operations.

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**NOTE 11 – LONG-TERM LIABILITIES:**

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Long-term debt:					
Bonds payable	\$18,245,000		(\$760,000)	\$17,485,000	\$830,000
Energy performance debt payable	2,212,865		(210,044)	2,002,821	218,215
Other long-term liabilities:					
Compensated absences payable	5,083,864	\$1,004,825	(798,764)	5,289,925	168,188
Claims payable	875,437	130,411	(21,683)	984,165	485,175
Net other postemployment benefits obligation	28,483,218	6,414,890	(2,717,888)	32,180,220	
Net pension liability - proportionate share	750,620	3,757,567	(996,652)	3,511,535	
Total long-term liabilities	<u>\$55,651,004</u>	<u>\$11,307,693</u>	<u>(\$5,505,031)</u>	<u>\$61,453,666</u>	<u>\$1,701,578</u>

The general fund has typically been used to liquidate long-term liabilities such as compensated absences, claims payable, net other post-employment benefits obligation, bonds payable, energy performance debt and net pension liability.

**A) Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Serial Bonds	7/13/2011	7/1/2031	3.00 -4.25%	\$13,790,000
Serial Bonds	7/10/2014	7/1/2034	3.13%	3,695,000
				<u>\$17,485,000</u>

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The following is a summary of debt service requirements for bonds payable:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$830,000	\$640,438	\$1,470,438
2018	845,000	615,313	1,460,313
2019	860,000	589,738	1,449,738
2020	885,000	559,938	1,444,938
2021	905,000	525,737	1,430,737
2022-2026	4,995,000	2,077,463	7,072,463
2027-2031	6,045,000	1,020,278	7,065,278
2032-2035	2,120,000	90,515	2,210,515
	<u>\$17,485,000</u>	<u>\$6,119,420</u>	<u>\$23,604,420</u>

**B) Energy Performance Debt Payable**

Energy performance debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy Performance Debt	4/11/2008	7/1/2023	3.89%	<u>\$2,002,821</u>

The following is a summary of debt service requirements for energy performance debt:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$218,215	\$77,910	\$296,125
2018	226,704	69,421	296,125
2019	235,522	60,602	296,124
2020	244,684	51,441	296,125
2021	254,203	41,922	296,125
2022-2023	823,493	64,883	888,376
	<u>\$2,002,821</u>	<u>\$366,179</u>	<u>\$2,369,000</u>

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**C) Long-Term Interest**

Interest on long-term debt for the year was composed of:

	<b>Total</b>
Interest paid	\$805,821
Less interest accrued in the prior year	(364,008)
Plus interest accrued in the current year	345,926
Total expense	\$787,739

**NOTE 12 – PENSION PLANS:**

**A) Plan Description and Benefits Provided:**

i) Teachers' Retirement System

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

ii) Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple –employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to

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participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP) which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany NY 12244.

**B) Funding policies:**

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
  - a. Employees who joined the system after July 27, 1976
    - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
  - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
    - i. Employees contribute 3.5% of their salary throughout active membership.
  - c. Employees who joined the system on or after April 1, 2012
    - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.
2. New York State Employees' Retirement System
  - a. Employees who joined the system after July 27, 1976
    - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
  - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
    - i. Employees contribute 3% of their salary throughout active membership.
  - c. Employees who joined the system on or after April 1, 2012
    - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

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.

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The District is required to contribute at a rate determined actuarially by the Systems. 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
2016	\$3,591,795	\$775,064
2015	4,526,707	1,058,737
2014	4,109,575	1,066,333

**C) Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions:**

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2016 for ERS and June 30, 2015 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Net pension asset/(liability)	\$ (3,511,535)	\$ 17,855,568
District's portion of the Plan's total net pension asset/(liability)	0.0218783%	0.171906%
Change in proportion since the prior Measurement date	(0.0003409)	0.0007010

For the year ended June 30, 2016, the District recognized a credit to pension expense of (\$1,181,542) for TRS and pension expense of \$1,282,149 for ERS. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflow of Resources</u>		<u>Deferred Inflow of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 17,745		\$ 416,234	\$ 494,854
Changes of Assumptions	936,421			
Net difference between projected and actual earnings on pension plan investments	2,083,235			5,644,238
Changes in proportion and differences between the District's contributions and proportionate share of contributions	91,575	\$ 17,172	7,318	21,889
District's contributions subsequent to the measurement date	230,730	3,591,795		
	<u>\$ 3,359,706</u>	<u>\$ 3,608,967</u>	<u>\$ 423,552</u>	<u>\$ 6,160,981</u>

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

	<u>ERS</u>	<u>TRS</u>
Plan Year ended:		
2016		\$ (2,277,219)
2017	\$ 693,051	\$ (2,277,219)
2018	\$ 693,051	\$ (2,277,219)
2019	\$ 693,051	\$ 937,985
2020	\$ 628,049	\$ (62,358)
Thereafter	\$ -	\$ (187,779)

**Actuarial Assumptions**

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

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	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7.00%	8.00%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.50%	3.0%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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



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<u>Measurement date</u>	<u>ERS</u> March 31, 2016	<u>TRS</u> June 30, 2015
<u>Asset type</u>		
Domestic equity	7.30%	6.50%
International equity	8.55%	7.70%
Private equity	11.00%	
Real estate	8.25%	4.60%
Absolute return strategies	6.75%	
Opportunistic portfolio	8.60%	
Real assets	8.65%	
Bonds and mortgages	4.00%	
Cash	2.25%	
Inflation-indexed bonds	4.00%	
Alternative investments		9.90%
Domestic fixed income securities		2.10%
Global fixed income securities		1.90%
Mortgages		3.40%
Short-term		1.20%

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for ERS and 8.0% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0% for ERS and 7.0% for TRS) or 1-percentagepoint higher (8.0% for ERS and 9.0% for TRS) than the current rate:

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<u>ERS</u>	1% Decrease <u>(6.0%)</u>	Current Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Employer's proportionate share Of the net pension asset (liability)	(\$7,918,257)	(\$3,511,535)	\$211,956

<u>TRS</u>	1% Decrease <u>(7.0%)</u>	Current Assumption <u>(8.0%)</u>	1% Increase <u>(9.0%)</u>
Employer's proportionate share Of the net pension asset (liability)	(\$1,217,980)	\$17,855,568	\$34,121,299

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	<u>(Dollars in Thousands)</u>	
	<u>ERS</u>	<u>TRS</u>
Valuation date	April 1, 2015	June 30, 2014
Employers' total pension liability	\$ (172,303,544)	\$ (99,332,104)
Plan Fiduciary Net Position	156,253,265	109,718,917
Employers' net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ 10,386,813</u>

Ratio of plan fiduciary net position to the Employers' total pension asset/(liability)	90.68%	110.46%
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Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$230,730.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the

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TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$3,694,204.

**NOTE 13 PENSION PLANS- OTHER PLANS:**

**A) Tax Sheltered Annuities:**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2016, totaled \$629,296 and \$1,605,412 respectively.

**NOTE 14 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:**

**A) Plan Description:**

The District primarily provides postemployment health insurance coverage to retired employees and their spouses in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program Empire Plan, (The “Plan”) which is a single-employer defined benefit healthcare plan.

**B) Funding Policy:**

The District shares of the costs of premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the Fund Financial Statements as payments are made. For the fiscal year 2016, the District recognized an estimated general fund expenditure of \$2,717,888 for insurance premiums for currently enrolled retirees. Plan members receiving benefits contributed 0% - 25% of the health insurance premium. Currently, there is no provision in the law to permit the District to fund other post-employment benefits by any means other than the “pay as you go” method. Therefore, there are no plan assets and no reports issued.

**C) Annual OPEB Cost and Net OPEB Obligation:**

The District’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC 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) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the plan:

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Annual required contribution	\$6,922,748
Interest on net OPEB obligation	1,139,329
Adjustment to Annual Required Contribution	<u>(1,647,187)</u>
Annual OPEB cost (expense)	6,414,890
Contributions made	<u>(2,717,888) *</u>
Increase in net OPEB obligation	3,697,002
Net OPEB obligation-beginning of year	<u>28,483,218</u>
Net OPEB obligation-end of year	<u><u>\$32,180,220</u></u>

\*Contributions made are estimated based on actuary report.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2016 and the preceding two years were as follows:

Fiscal Year Ending	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Adjustment to Net OPEB Obligation	Net OPEB Obligation
6/30/14	\$6,144,655	\$ 2,514,224	41%	0	\$24,873,563
6/30/15	6,222,346	2,612,691	42%	0	28,483,218
6/30/16	6,414,890	2,717,888	42%	0	32,180,220

**D) Funded Status and Funding Progress:**

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$73,345,265 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$73,345,265. The covered payroll (annual payroll of active employees covered by the plan) was \$27,371,462 and the ratio of the UAAL to the covered payroll was 268%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the health care trend. 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 following the notes to the financial statements 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.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**E) Actuarial Methods and Assumptions:**

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In July 1, 2014 actuarial valuation prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 4.0% and an annual healthcare cost trend rate of 10.50% initially, reduced by decrements to an ultimate rate of 5% after 6 years. The UAAL is being amortized as a level of percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2016 was twenty-two years.

**NOTE 15 – RISK MANAGEMENT:**

**A) General:**

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

**B) Risk Retention:**

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2016 the District has recorded potential workers' compensation claims of \$984,165 and has a workers' compensation reserve balance of \$601,689 in the general fund.

	<u>2016</u>	<u>2015</u>
Unpaid claims at beginning of year	\$875,437	\$839,039
Incurred claims and claim adjustment expenses	130,411	52,025
Claims payments	<u>(21,683)</u>	<u>(15,627)</u>
Unpaid claims at year end	<u><u>\$984,165</u></u>	<u><u>\$875,437</u></u>

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**C) Public Entity Risk Pool:**

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the District has essentially transferred all related risk to the pool.

**NOTE 16 – COMMITMENTS AND CONTINGENCIES:**

**A) Encumbrances:**

All encumbrances are classified as assigned fund balance. At June 30, 2016, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General Fund	
General Support	\$15,177
Instruction	5,682
Employee Benefits	150
	<u>\$21,009</u>

**B) Grants:**

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

**C) Litigation:**

The District is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. The District recorded a liability for the year ended June 30, 2015 that is estimated to be in the amount of \$442,625 for Case No. 2015-03744 which is not covered by insurance and probable of an unfavorable outcome. This amount remains as a liability as of June 30, 2016.

**SEAFORD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**D) Operating Leases:**

The District leases various types of equipment under non-cancelable operating leases. Rental expense for the fiscal year was approximately \$393,146. The following is a summary of obligations of government activities under operating lease payments:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2017	\$627,634
2018	535,594
2019	512,395
2020	456,395
Total Lease Payments	\$2,132,018

**NOTE 17 – SPECIAL ITEM:**

A) On September 17, 2015, the District sold the Seaford Avenue Building. The gross sale of the property was \$5,144,000, which was reduced by real estate agent commissions, attorney’s fees and other adjustments based of the final number of units to be built. The net proceeds from the sale were \$4,926,802. Since the building was fully depreciated, with a net book value of zero, the gain on the sales was \$4,926,802.

**NOTE 18 – SUBSEQUENT EVENTS**

A) On July 8, 2016, the District issued tax anticipation notes in the amount of \$5,000,000, maturing on June 22, 2017 with a net interest rate of 1.0123%.

**SUPPLEMENTARY INFORMATION**



**SEAFORD UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$41,972,345	\$41,972,345	\$41,362,991	(\$609,354)
Other real property tax items	7,413,712	7,413,712	8,021,501	607,789
Charges for services	1,668,374	1,668,374	1,874,474	206,100
Use of money & property	87,000	87,000	66,136	(20,864)
Miscellaneous	90,000	96,550	119,348	22,798
<b>State Sources</b>				
Basic formula	6,557,739	6,557,739	6,317,232	(240,507)
Excess cost aid	1,721,449	1,721,449	1,637,494	(83,955)
Lottery aid	1,997,663	1,997,663	2,033,758	36,095
BOCES aid	1,060,890	1,060,890	1,153,865	92,975
Textbook aid	154,909	154,909	153,314	(1,595)
Computer software aid	43,030	43,030	42,184	(846)
Computer hardware aid	29,944	29,944	29,849	(95)
Library A/V loan program aid	17,212	17,212	17,600	388
Other state aid	20,000	45,000	25,000	(20,000)
<b>Federal Sources</b>				
Medicaid reimbursement	19,848	19,848	38,436	18,588
<b>TOTAL REVENUES</b>	<u>62,854,115</u>	<u>62,885,665</u>	<u>62,893,182</u>	<u>7,517</u>
<b>Other Financing Sources</b>				
Transfers from other funds	72,000	72,000	68,822	(3,178)
<b>TOTAL REVENUES AND OTHER SOURCES</b>	<u>62,926,115</u>	<u>62,957,665</u>	<u>\$62,962,004</u>	<u>\$4,339</u>
Appropriated Fund Balance	711,728	711,728		
Appropriated Reserves	<u>102,906</u>	<u>102,906</u>		
<b>TOTAL REVENUES, OTHER SOURCES &amp; APPROPRIATED FUND BALANCE</b>	<u>\$63,740,749</u>	<u>\$63,772,299</u>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

SEAFORD UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$45,332	\$45,332	\$38,259		\$7,073
Central administration	269,378	283,128	281,984		1,144
Finance	723,262	728,391	648,792		79,599
Staff	243,243	265,896	192,153		73,743
Central services	3,577,171	3,621,926	3,375,479	\$15,177	231,270
Special items	718,325	718,225	690,864		27,361
Instructional					
Instruction, adm. & imp.	1,873,970	1,886,241	1,852,306		33,935
Teaching - regular school	19,745,024	20,006,083	20,098,337	647	(92,901)
Programs for children with handicapping conditions	9,119,461	8,957,260	8,510,009		447,251
Occupational education	1,002,000	1,025,619	1,011,161		14,458
Teaching special schools	129,412	107,238	103,925		3,313
Instructional media	2,354,877	2,441,043	2,421,403		19,640
Pupil services	2,983,806	3,107,862	3,067,900	5,035	34,927
Pupil Transportation	2,860,704	2,881,750	2,694,377		187,373
Community Services	17,146	17,146	16,769		377
Employee Benefits	16,086,549	15,688,070	14,501,101	150	1,186,819
Debt Service					
Debt service - principal					
Debt service - interest	50,000	50,000	35,872		14,128
<b>TOTAL EXPENDITURES</b>	<u>61,799,660</u>	<u>61,831,210</u>	<u>59,540,691</u>	<u>21,009</u>	<u>2,269,510</u>
Other Financing Uses					
Transfers to other funds	1,941,089	1,941,089	1,929,846		11,243
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<u>\$63,740,749</u>	<u>\$63,772,299</u>	<u>61,470,537</u>	<u>\$21,009</u>	<u>\$2,280,753</u>
<b>SPECIAL ITEM</b>					
Proceeds from the sale of Seaford Ave School (See Note 17)			4,926,801		
Change In Fund Balances					
Fund Balances - Beginning of Year			6,085,022		
Fund Balances - End of Year			<u>\$12,503,290</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**SEAFORD UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
JUNE 30, 2016**

Valuation Date	Actuarial		Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of
	Value of Assets	Accrued Liability				Covered Payroll
July 1, 2008	\$0	\$ 66,936,522	\$ 66,936,522	\$0	\$ 21,507,371	311%
July 1, 2010	\$0	\$ 78,135,441	\$ 78,135,441	\$0	\$ 27,570,809	283%
July 1, 2012	\$0	\$ 79,433,667	\$ 79,433,667	\$0	\$ 28,027,067	283%
July 1, 2014	\$0	\$ 73,345,265	\$ 73,345,265	\$0	\$ 27,371,462	268%

**SEAFORD UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
JUNE 30\***

**NYSERS Pension Plan**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0218783%	0.0222192%	0.0222192%
District's proportionate share of the net pension liability (asset)	\$ 3,511,535	\$ 750,620	\$ 1,004,056
District's covered payroll	\$ 5,291,510	\$ 5,200,321	\$ 5,221,306
District's proportionate share of the net pension liability (asset) as a percentage of its covered -employee payroll	66.36%	14.43%	19.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.70%	97.95%	97.20%

**NYSTRS Pension Plan**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.171906%	0.171205%	0.174501%
District's proportionate share of the net pension liability (asset)	\$(17,855,568)	\$(19,071,205)	\$ (1,148,656)
District's covered payroll	\$ 28,192,688	\$ 27,943,042	\$ 28,499,881
District's proportionate share of the net pension liability (asset) as a percentage of its covered -employee payroll	63.33%	68.25%	4.03%
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.46%	111.48%	100.70%

\*The amounts presented for each fiscal year were determined as of the measurement date of the plans.

SEAFORD UNION FREE SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
 FOR THE FISCAL YEARS ENDED JUNE 30,

	NYSERS Pension Plan								
	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	775,064	\$ 1,058,737	\$ 1,066,333	\$ 1,114,250	\$ 798,408	\$ 570,880	\$ 381,237	\$ 327,261	\$ 373,939
Contributions in relation to the contractually required contribution	775,064	1,058,737	1,066,333	1,114,250	798,408	570,880	381,237	327,261	373,939
Contribution deficiency (excess)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$5,259,599	\$ 5,406,744	\$ 5,176,465	\$ 5,262,439	\$ 5,088,036	\$ 5,072,437	\$ 4,846,942	\$ 4,335,552	\$ 4,133,127
Contributions as a percentage of covered employee payroll	14.74%	19.58%	20.60%	21.17%	15.69%	11.25%	7.87%	7.55%	9.05%

	NYSTERS Pension Plan								
	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	3,591,795	\$ 4,526,707	\$ 4,109,575	\$ 3,026,370	\$ 2,759,844	\$ 2,170,205	\$ 1,564,183	\$ 1,824,518	\$ 1,999,331
Contributions in relation to the contractually required contribution	3,591,795	4,526,707	4,109,575	3,026,370	2,759,844	2,170,205	1,564,183	1,824,518	1,999,331
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$29,189,976	\$ 28,192,688	\$ 27,943,042	\$ 28,499,881	\$ 26,552,548	\$ 27,155,376	\$ 26,730,326	\$ 25,253,133	\$ 24,104,424
Contributions as a percentage of covered employee payroll	12.30%	16.06%	14.71%	10.62%	10.39%	7.99%	5.85%	7.22%	8.29%

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

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget		\$63,637,843
Add: Prior year's encumbrances		<u>102,906</u>
Original Budget		63,740,749
Budget revisions:		
Legislative Grant	\$25,000	
Donations	<u>6,550</u>	
		<u>31,550</u>
Final Budget		<u><u>\$63,772,299</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2016-17 voter approved expenditure budget		<u>\$65,310,448</u>
Maximum allowed (4% of the 2016-17 budget)		<u><u>\$2,612,418</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$732,737	
Unassigned fund balance	<u>2,612,418</u>	
Total unrestricted fund balance		\$3,345,155
Less:		
Appropriated fund balance	\$711,728	
Encumbrances included in assigned fund balance	<u>21,009</u>	
Total adjustments		<u>732,737</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$2,612,418</u></u>
Actual percentage		4.00%

SEAFORD UNION FREE SCHOOL DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Project Title	Original Budget	Revised Budget	Expenditures to Date			Unexpended Balance	Proceeds of Obligations	Methods of Financing		Total	Fund Balance June 30, 2016
			Prior Year's	Current Year	Total			State Aid	Local Sources		
Capital Improvements - High School	\$13,337,419	\$13,608,031	\$13,315,304	\$55,537	\$13,370,841	\$237,190	\$12,195,298	\$64,365	\$1,111,178	\$13,370,841	\$ -
High School - Surplus back to Debt Service Fund		237,191	237,191		237,191	-	237,191			237,191	-
Capital Improvements - Middle School	6,801,549	4,992,007	4,952,432	39,575	4,992,007	-	4,510,752	64,365	416,890	4,992,007	-
Capital Improvements - Manor School	1,759,716	1,860,117	1,826,970	22,375	1,849,345	10,772	1,406,599	416,431	37,087	1,860,117	10,772
Capital Improvements - Harbor School	2,892,213	2,745,373	2,195,672	12,861	2,208,533	\$36,840	1,600,161	322,000	823,212	2,745,373	\$36,840
Energy Performance Contract - General	3,289,503	3,289,503	3,279,303		3,279,303	10,200	3,289,503			3,289,503	10,200
<b>TOTAL</b>	<b>\$28,080,400</b>	<b>\$26,732,222</b>	<b>\$25,806,872</b>	<b>\$130,348</b>	<b>\$25,937,220</b>	<b>\$795,002</b>	<b>\$23,219,504</b>	<b>\$867,161</b>	<b>\$2,388,367</b>	<b>\$26,495,032</b>	<b>\$57,812</b>

**SEAFORD UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
NET INVESTMENT IN CAPITAL ASSETS  
JUNE 30, 2016**

<b>Capital assets, net</b>		\$25,168,386
<b>Deduct:</b>		
Short-term portion of bonds payable	(\$830,000)	
Long-term portion of bonds payable	(16,655,000)	
Short-term portion of energy performance debt	(218,215)	
Long-term portion of energy performance debt	(1,784,606)	
Less: unspent energy performance debt	<u>10,200</u>	
		<u>(19,477,621)</u>
<b>Net investment in capital assets</b>		<u><u>\$5,690,765</u></u>



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

To the Board of Education  
Seaford Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Seaford Union Free School District, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Seaford Union Free School District's basic financial statements, and have issued our report thereon dated September 27, 2016.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*R. S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
September 27, 2016