

**SYOSSET CENTRAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORTS**

June 30, 2016

**SYOSSET CENTRAL SCHOOL DISTRICT**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Syosset Central School District  
Syosset, New York

### 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 Syosset Central School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 District'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 District'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 funds of the Syosset Central School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District contributions on pages 3 through 14 and 49 through 53, 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 Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Syosset Central School District's basic financial statements. The other supplementary information on pages 54 through 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016 on our consideration of the Syosset Central 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 Syosset Central School District's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

October 12, 2016



**SYOSSET CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Syosset Central School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016 in comparison with the year ended June 30, 2015, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

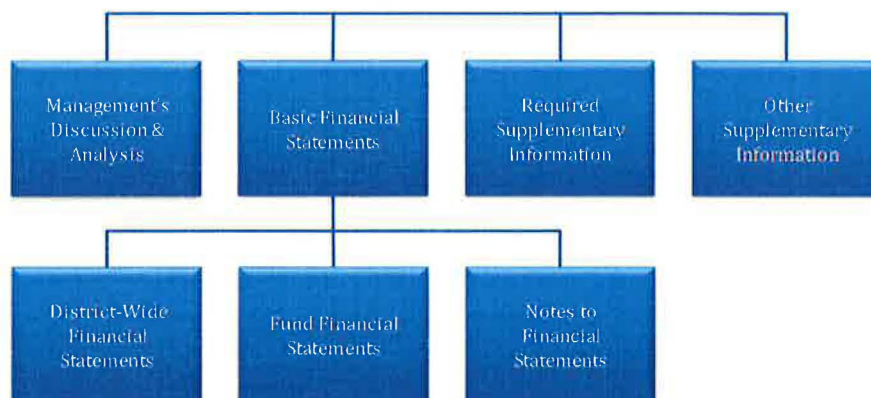
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2016 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$10,709,721. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$204,918,057. Of this amount, \$5,259,844 was offset by program charges for services and operating grants. General revenues of \$210,367,934 amount to 97.6% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$6,338,397. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.
- On May 17, 2016, the proposed 2016-17 budget in the amount of \$219,860,188 was approved by the District's voters.
- In May 2014, the voters approved the establishment and funding of the 2014 capital reserve to a maximum amount of \$20,000,000. The District has funded \$14,124,211 into the reserve as of June 30, 2016.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – management's discussion and analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**A. District-Wide Financial Statements**

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

**B. Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

Governmental Funds

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds: general fund, special aid fund, school lunch fund, debt service fund, and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the District's district-wide financial statements because the District cannot use these assets to finance its operations.

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

**A. Net Position**

The District's total net position increased by \$10,709,721 between fiscal year 2015 and 2016. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2016	2015	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 81,440,342	\$ 79,289,680	\$ 2,150,662	2.71 %
Capital Assets, Net	80,007,640	81,095,648	(1,088,008)	(1.34)%
Net Pension Asset - Proportionate Share	68,152,323	73,954,151	(5,801,828)	(7.85)%
Total Assets	229,600,305	234,339,479	(4,739,174)	(2.02)%
Deferred Outflows of Resources	23,971,512	19,540,139	4,431,373	22.68 %
Current and Other Liabilities	22,722,636	26,653,528	(3,930,892)	(14.75)%
Long-Term Liabilities	35,997,511	39,307,958	(3,310,447)	(8.42)%
Net Other Postemployment Benefits Obligation	112,602,332	98,155,467	14,446,865	14.72 %
Net Pension Liability - Proportionate Share	9,987,393	2,055,850	7,931,543	385.80 %
Total Liabilities	181,309,872	166,172,803	15,137,069	9.11 %
Deferred Inflows of Resources	24,774,250	50,928,841	(26,154,591)	(51.36)%
Net Investment in Capital Assets	53,102,640	49,288,431	3,814,209	7.74 %
Restricted	43,376,256	39,885,999	3,490,257	8.75 %
Unrestricted (Deficit)	(48,991,201)	(52,396,456)	3,405,255	(6.50)%
Total Net Position	\$ 47,487,695	\$ 36,777,974	\$ 10,709,721	29.12 %

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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Current and other assets increased by \$2,150,662, as compared to the prior year. The increase is primarily related to an increase in cash.

Capital assets net decreased by \$1,088,008, as compared to the prior year. This decrease is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

Net pension asset – proportionate share decreased by \$5,801,828, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year.

Deferred outflows of resources represents contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by \$3,930,892, as compared to the prior year. This decrease is primarily in connection with the District's liability to the teachers' retirement system for the current year's contribution at a decreased contribution rate.

Long-term liabilities decreased by \$3,310,447, as compared to the prior year. This decrease is primarily the result the repayment of the current maturity of the bond indebtedness.

Net other postemployment benefits (OPEB) obligation increased by \$14,446,865, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by \$7,931,543 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Deferred inflows of resources represents actuarial adjustments at the pension plan level that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost such as land; buildings; improvements other than buildings; and equipment, net of depreciation and related outstanding debt. This number increased over the prior year as a result of asset additions and principal debt reductions offset by depreciation.

The restricted amount of \$43,376,256 relates to the District's workers' compensation, unemployment insurance, retirement contribution, insurance, employee benefit accrued liability, capital, repairs and debt service reserves. This number increased over the prior year by \$3,490,257 principally due to the transfer into the reserves for capital and workers' compensation in the amount of \$7,495,125, offset by the use of reserves as appropriated in the budget or as previously authorized by the voters for capital projects.

The unrestricted amount of \$(48,991,201) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit decreased from the prior year by \$3,405,255.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 2,433,024	\$ 2,045,100	\$ 387,924	18.97 %
Operating Grants	2,826,820	2,951,703	(124,883)	(4.23)%
General Revenues				
Property Taxes and STAR	187,388,641	190,323,198	(2,934,557)	(1.54)%
State Sources	12,411,201	11,872,393	538,808	4.54 %
Other	10,568,092	5,350,889	5,217,203	97.50 %
Total Revenues	<u>215,627,778</u>	<u>212,543,283</u>	<u>3,084,495</u>	1.45 %
<b>Expenses</b>				
General Support	23,877,092	24,569,914	(692,822)	(2.82)%
Instruction	168,314,209	164,486,756	3,827,453	2.33 %
Pupil Transportation	9,423,628	9,240,099	183,529	1.99 %
Community Service	287,882	359,576	(71,694)	(19.94)%
Debt Service - Interest	1,328,087	1,215,051	113,036	9.30 %
Food Service Program	1,687,159	1,764,928	(77,769)	(4.41)%
Total Expenses	<u>204,918,057</u>	<u>201,636,324</u>	<u>3,281,733</u>	1.63 %
Increase in Net Position	<u>\$ 10,709,721</u>	<u>\$ 10,906,959</u>	<u>\$ (197,238)</u>	(1.81)%

The District's net position increased by \$10,709,721 and \$10,906,959 for the years ended June 30, 2016 and 2015, respectively.

The District's revenues increased by \$3,084,495 or 1.45%. Most of this increase is attributable to property taxes and STAR and other revenues. During 2016, the County removed certain properties from the tax rolls and entered into agreements with these properties to make payments in lieu of taxes, causing a shift between property taxes and PILOT (\$4,647,637). In total, property taxes and STAR and PILOT (included in other revenues) increased over 2015 amounts by \$1,806,333.

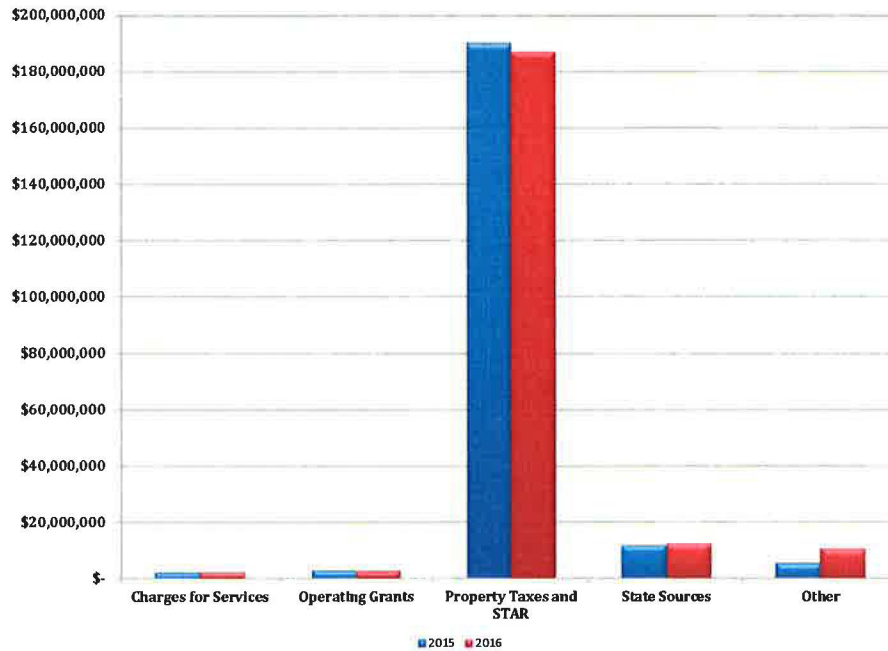
The District's expenses for the year increased by \$3,281,733 or 1.63%. The major contributing factor to this increase was the change in the pension credits allocated from the state retirement systems compared to the prior year.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 86.9% and 89.5% of the total for the years 2016 and 2015, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 82.2% and 81.5% of the total for the years 2016 and 2015, respectively).



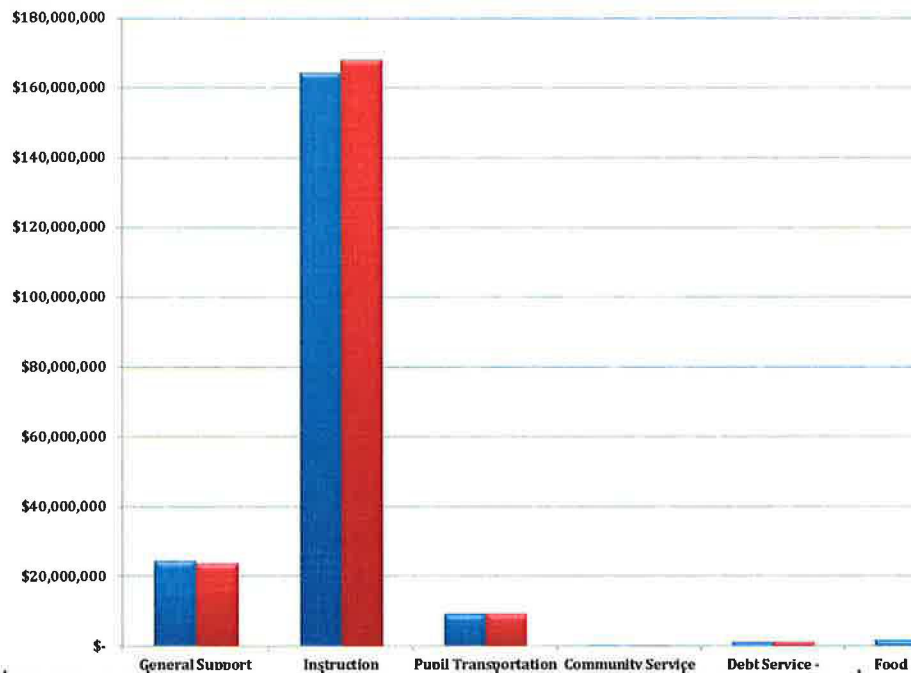
**SYOSSET CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

A graphic display of the distribution of revenues for the two years follows



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2015	1.0%	1.4%	89.5%	5.6%	2.5%
2016	1.1%	1.3%	86.9%	5.8%	4.9%

A graphic display of the distribution of expenses for the two years follows:



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
2015	12.2%	81.5%	4.6%	0.2%	0.6%	0.9%
2016	11.7%	82.2%	4.6%	0.1%	0.6%	0.8%



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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

At June 30, 2016, the District's governmental funds reported a combined fund balance of \$59,109,947, which is an increase of \$5,997,455 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2016	2015	Increase (Decrease)
<b>General Fund</b>			
Nonspendable: Prepaids	\$ 28,942	\$	\$ 28,942
Restricted			
Workers' compensation	4,332,092	2,530,364	1,801,728
Unemployment insurance	841,773	1,773,978	(932,205)
Retirement contribution	18,832,674	20,941,455	(2,108,781)
Insurance	1,299,043	1,295,737	3,306
Employee benefit accrued liability	3,723,920	3,814,170	(90,250)
Capital	14,156,725	9,134,490	5,022,235
Repairs	168,478	168,351	127
Assigned:			
Appropriated fund balance	5,015,000	2,469,325	2,545,675
Unappropriated fund balance	1,256,570	1,330,997	(74,427)
Unassigned: Fund balance	8,765,467	8,623,420	142,047
	<u>58,420,684</u>	<u>52,082,287</u>	<u>6,338,397</u>
<b>School Lunch Fund</b>			
Nonspendable: Inventory	662	540	122
Assigned: Unappropriated fund balance	727,140	802,211	(75,071)
	<u>727,802</u>	<u>802,751</u>	<u>(74,949)</u>
<b>Debt Service Fund</b>			
Restricted: Debt service	21,551	21,475	76
<b>Capital Projects Fund</b>			
Restricted: Capital	-	205,979	(205,979)
Unassigned: Fund balance (deficit)	(60,090)		(60,090)
	<u>(60,090)</u>	<u>205,979</u>	<u>(266,069)</u>
<b>Total Fund Balance</b>	<u>\$ 59,109,947</u>	<u>\$ 53,112,492</u>	<u>\$ 5,997,455</u>

**A. General Fund**

The net change in the general fund – fund balance is an increase of \$6,338,397, compared to an increase of \$2,016,069 in 2015. This resulted from revenues in excess of expenditures. The District's revenues and other sources was \$210,589,461, which is an increase of \$3,270,368 over the prior year. This increase is principally in the real property tax and other tax items areas (as adjusted for the reclassification of property to PILOT). The District's expenditures and other uses were \$204,251,064, which is a decrease of \$1,051,960. The major item that decreased was employee benefits – pension expenses, as a result of lower contribution rates in the state retirement systems. This decrease was offset by increases in the instruction area in salaries and BOCES costs.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**B. School Lunch Fund**

The school lunch fund - fund balance decreased by \$74,949 as compared to the prior year. This decrease is primarily attributable to equipment purchases made during the year. The District purchased new convection steamers for the cafeteria at a cost of approximately \$77,000.

**C. Debt Service Fund**

The net change in the debt service fund – fund balance is an increase of \$76, which represents interest earned on balances in the fund.

**D. Capital Projects Fund**

The net change in the capital projects fund – fund balance is a decrease of \$266,069, due to expenditures incurred during the year on capital projects of \$1,145,229 and a transfer of \$90,165 to the general fund of unspent balances on completed projects offset by a transfer of \$969,325 from the general fund as appropriated in the budget for the high school roof project.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2015-16 Budget**

The District's general fund adopted budget for the year ended June 30, 2016 was \$215,585,452. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,330,997 for a total final budget of \$216,916,449.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$187,388,069 in estimated property taxes and STAR, as adjusted for the change in PILOT.

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

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget, encumbrances and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 8,623,420
Revenues Over Budget	1,798,655
Expenditures and Encumbrances Under Budget	11,408,815
Unused Appropriated Reserves	(427,484)
Net Change in Nonspendable Fund Balance	(28,942)
Allocation to Reserves	(7,593,997)
Appropriated for the 2016-17 Budget	<u>(5,015,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 8,765,467</u></u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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Opening, Unassigned Fund Balance

The \$8,623,420 shown in the table is the portion of the District's June 30, 2015 fund balance that was retained as unassigned. This was 4% of the District's 2015-16 approved operating budget of \$215,585,452. It is the maximum unassigned fund balance permitted by law.

Revenues Over Budget

The 2015-16 final budget for revenues was \$208,790,806. Actual revenues received for the year were \$210,589,461. The excess of actual revenue over estimated or budgeted revenue was \$1,798,655. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2015 to June 30, 2016.

Expenditures and Encumbrances Under Budget

The 2015-16 final budget for expenditures was \$216,916,449. Actual expenditures and other uses as of June 30, 2016 were \$204,251,064 and outstanding encumbrances were \$1,256,570. Combined, the expenditures plus encumbrances for 2015-16 were \$205,507,634. The final budget was under expended by \$11,408,815. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2015 to June 30, 2016.

Unused Appropriated Reserves

In the 2015-16 budget, \$4,325,321 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$427,484 of this funding was not needed and, therefore, it was returned to the reserves for future use.

Net Change in Nonspendable Fund Balance

The District prepaid various insurance premiums at June 30, 2016. The resulting balance sheet asset (prepaids) cannot be spent because it is not in spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as nonspendable. The increase in nonspendable fund balance reduces unassigned fund balance.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers.

The \$(7,593,997) shown in the above table is made up of two transfers: \$2,495,125 to the workers' compensation reserve and \$5,000,000 to the capital reserve. Additionally, interest earnings of \$98,872 were allocated to the reserves.

Appropriated Fund Balance

The District has chosen to use \$5,015,000 of the available June 30, 2016 unassigned fund balance to partially fund the 2016-17 approved operating budget. As such, the June 30, 2016 unassigned fund balance must be reduced by this amount.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2016 was \$8,765,467. This amount equals 4.0% of the 2016-17 budget and is at the statutory limit.

**6. CAPITAL ASSETS AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2016, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of \$3,344,332 in excess of capital additions of \$2,256,324 recorded for the year ended June 30, 2016. A summary of the District's capital assets, net of depreciation at June 30, 2016 and 2015 is as follows:

	2016	2015	Increase (Decrease)
Land	\$ 1,254,281	\$ 1,254,281	\$ -
Buildings and improvements	75,320,355	76,723,032	(1,402,677)
Land improvements	447,522	586,824	(139,302)
Furniture, equipment and vehicles	2,985,482	2,531,511	453,971
Capital assets, net	<u>\$ 80,007,640</u>	<u>\$ 81,095,648</u>	<u>\$ (1,088,008)</u>

**B. Debt Administration**

At June 30, 2016, the District had total bonds payable of \$26,905,000. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The decrease in outstanding debt represents principal payments. There were no new issuances of long-term debt during the year ended June 30, 2016. A summary of the outstanding debt at June 30, 2016 and 2015 is as follows:

Issue Date	Interest Rate	2016	2015	Increase (Decrease)
2004	2.0-4.0 %	\$ 680,000	\$ 1,330,000	\$ (650,000)
2001	4.0-5.0 %	60,000	70,000	(10,000)
2002	4.1-5.0 %	120,000	135,000	(15,000)
2015	2.0-5.0 %	1,450,000	1,475,000	(25,000)
2006	4.5-4.8%		100,000	(100,000)
2007	4.3-5.0 %	7,605,000	8,670,000	(1,065,000)
2013	2.0-5.0 %	7,370,000	7,945,000	(575,000)
2013	2.0-5.0 %	9,620,000	10,665,000	(1,045,000)
		<u>\$ 26,905,000</u>	<u>\$ 30,390,000</u>	<u>\$ (3,485,000)</u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The District's outstanding serial bonds at June 30, 2016 are approximately 3.0% of the District's debt limit.

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 17, 2016, for the year ending June 30, 2017, is \$219,860,188. This is an increase of \$4,274,736 or 1.98% over the previous year's budget. The increase is principally in the instructional program (\$1,480,056) and capital fund transfer (\$3,395,675) areas of the budget. The total capital transfer is funded with fund balance appropriated for capital work.

The District budgeted revenues other than property taxes and STAR (including PILOT as restated for the prior year) at a \$2,028,489 increase over the prior year's estimate, which is principally due to an estimated increase in state aid. The assigned, appropriated fund balance applied to the budget in the amount of \$5,015,000 (\$650,000 for general purpose and \$4,365,000 for capital work) is a \$2,545,675 increase over the previous year. Additionally, the District has elected to appropriate \$3,763,775 of reserves towards the next year's budget, which is a decrease of \$561,546 from the previous year. A property tax increase of \$262,118 (0.14%), levy to levy, was needed to meet the funding shortfall and cover the increase in projected expenditures.

**B. Future Budgets**

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

**C. Tax Cap**

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2016-17 is 0.30%. The District's 2016-17 property tax increase of 0.14% was less than the tax cap and did not require an override vote.

**D. Property Tax Freeze**

New York State law provides a "Property Tax Freeze Credit" that effectively "freezes" 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 receive a credit, which is 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 program ended for school districts with the 2015-16 school year.

New York State enacted a new law that provides a "Property Tax Relief Credit" to eligible taxpayers for the 2016-17 through 2019-20 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check in the amount of \$130 in the first year. In subsequent years, the amount of the credit is a function of the basic STAR savings and the taxpayer's income.

These property tax credit programs provide an incentive for the District to be tax cap compliant.

**8. CONTACTING THE DISTRICT**

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Dr. Patricia M. Rufo  
Assistant Superintendent for Business  
Syosset Central School District  
99 Pell Lane  
Syosset, New York 11791



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2016

**ASSETS**

Cash	
Unrestricted	\$ 30,004,938
Restricted	43,376,256
Receivables	
Accounts receivable	19,186
Taxes receivable	4,043,842
Due from fiduciary funds	952,864
Due from state and federal	2,704,494
Due from other governments	309,158
Prepays	28,942
Inventory	662
Capital assets:	
Not being depreciated	1,254,281
Being depreciated, net of accumulated depreciation	78,753,359
Net pension asset - proportionate share	<u>68,152,323</u>
 Total Assets	 <u>229,600,305</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	<u>23,971,512</u>
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**LIABILITIES**

Payables	
Accounts payable	6,574,962
Accrued liabilities	1,087,120
Due to other governments	292,732
Due to teachers' retirement system	13,757,085
Due to employees' retirement system	920,170
Unearned credits	
Collections in advance	90,567
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	3,759,035
Compensated absences payable	100,000
Due and payable after one year	
Bonds payable, net	24,231,579
Compensated absences payable	5,229,997
Workers' compensation liabilities	2,676,900
Net other postemployment benefits obligation	112,602,332
Net pension liability - proportionate share	<u>9,987,393</u>
 Total Liabilities	 <u>181,309,872</u>

**DEFERRED INFLOWS OF RESOURCES**

Pensions	<u>24,774,250</u>
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**NET POSITION**

Net investment in capital assets	<u>53,102,640</u>
Restricted:	
Workers' compensation	4,332,092
Unemployment insurance	841,773
Retirement contribution	18,832,674
Insurance	1,299,043
Employee benefit accrued liability	3,723,920
Capital	14,156,725
Repairs	168,478
Debt service	21,551
	<u>43,376,256</u>
Unrestricted (deficit)	<u>(48,991,201)</u>
 Total Net Position	 <u>\$ 47,487,695</u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Statement of Activities**  
For The 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	\$ 23,877,092	\$	\$ 51,746	\$ (23,825,346)
Instruction	168,314,209	996,606	2,527,545	(164,790,058)
Pupil transportation	9,423,628			(9,423,628)
Community service	287,882			(287,882)
Debt service - interest	1,328,087			(1,328,087)
Food service program	1,687,159	1,436,418	247,529	(3,212)
Total Functions and Programs	<u>\$ 204,918,057</u>	<u>\$ 2,433,024</u>	<u>\$ 2,826,820</u>	<u>(199,658,213)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				174,813,309
Other tax items				20,454,541
Use of money and property				178,655
Forfeitures				925
Sale of property and compensation for loss				10,568
Miscellaneous				1,560,911
State sources				12,411,201
Intergovernmental revenue				916,075
Medicaid reimbursement				21,749
Total General Revenues				<u>210,367,934</u>
Change in Net Position				10,709,721
Total Net Position - Beginning of Year				<u>36,777,974</u>
Total Net Position - End of Year				<u>\$ 47,487,695</u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 28,547,047	\$ 140,173	\$ 1,168,236	\$	\$ 149,482	\$ 30,004,938
Restricted	43,354,705			21,551		43,376,256
Receivables						
Accounts receivable	19,186					19,186
Taxes receivable	4,043,842					4,043,842
Due from other funds	2,016,484					2,016,484
Due from state and federal	1,871,919	822,147	10,428			2,704,494
Due from other governments	309,158					309,158
Prepays	28,942					28,942
Inventory			662			662
Total Assets	<u>\$ 80,191,283</u>	<u>\$ 962,320</u>	<u>\$ 1,179,326</u>	<u>\$ 21,551</u>	<u>\$ 149,482</u>	<u>\$ 82,503,962</u>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 6,102,196	\$ 175,139	\$ 95,095	\$	\$ 202,532	\$ 6,574,962
Accrued liabilities	692,113	2,766				694,879
Due to other funds		784,415	272,165		7,040	1,063,620
Due to other governments	292,157		575			292,732
Due to teachers' retirement system	13,757,085					13,757,085
Due to employees' retirement system	920,170					920,170
Unearned credits						
Collections in advance	6,878		83,689			90,567
Total Liabilities	<u>21,770,599</u>	<u>962,320</u>	<u>451,524</u>	<u>-</u>	<u>209,572</u>	<u>23,394,015</u>
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable:						
Prepays	28,942					28,942
Inventory			662			662
Restricted:						
Workers' compensation	4,332,092					4,332,092
Unemployment insurance	841,773					841,773
Retirement contribution	18,832,674					18,832,674
Insurance	1,299,043					1,299,043
Employee benefit accrued liability	3,723,920					3,723,920
Capital	14,156,725					14,156,725
Repairs	168,478					168,478
Debt service				21,551		21,551
Assigned:						
Appropriated fund balance	5,015,000					5,015,000
Unappropriated fund balance	1,256,570		727,140			1,983,710
Unassigned: Fund balance (deficit)	<u>8,765,467</u>				<u>(60,090)</u>	<u>8,705,377</u>
Total Fund Balances (Deficit)	<u>58,420,684</u>	<u>-</u>	<u>727,802</u>	<u>21,551</u>	<u>(60,090)</u>	<u>59,109,947</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 80,191,283</u>	<u>\$ 962,320</u>	<u>\$ 1,179,326</u>	<u>\$ 21,551</u>	<u>\$ 149,482</u>	<u>\$ 82,503,962</u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2016

Total Governmental Fund Balances (Deficit)	\$ 59,109,947
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Amounts reported for governmental activities in the Statement of Net Position are different because:

The cost of building and acquiring capital assets (land, 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 includes 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	\$ 143,808,840	
Accumulated depreciation	<u>(63,801,200)</u>	80,007,640

Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.

Net pension asset - teachers' retirement system	68,152,323	
Deferred outflows of resources	23,971,512	
Net pension liability - employees' retirement system	(9,987,393)	
Deferred inflows of resources	<u>(24,774,250)</u>	57,362,192

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

Accrued interest on bonds payable	(392,241)	
Bonds payable	(27,990,614)	
Compensated absences payable	(5,329,997)	
Workers' compensation liabilities	(2,676,900)	
Net other postemployment benefits obligation	<u>(112,602,332)</u>	(148,992,084)

Total Net Position	<u>\$ 47,487,695</u>
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**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 174,813,309	\$	\$	\$	\$	\$ 174,813,309
Other tax items	20,454,541					20,454,541
Charges for services	996,606					996,606
Use of money and property	177,740		839	76		178,655
Forfeitures	925					925
Sale of property and compensation for loss	10,568					10,568
Miscellaneous	1,560,911		525			1,561,436
Intergovernmental revenue				916,075		916,075
State sources	12,411,201	888,672	12,830			13,312,703
Medicaid reimbursement	21,749					21,749
Federal sources	51,746	1,638,873	167,678			1,858,297
Surplus food			67,021			67,021
Sales - school lunch			1,435,893			1,435,893
Total Revenues	210,499,296	2,527,545	1,684,786	916,151	-	215,627,778
<b>EXPENDITURES</b>						
General support	19,981,526					19,981,526
Instruction	119,800,666	2,717,156				122,517,822
Pupil transportation	9,113,314	213,669				9,326,983
Community service	211,778					211,778
Employee benefits	49,636,029					49,636,029
Debt service						
Principal				3,485,000		3,485,000
Interest	357,333			1,208,888		1,566,221
Cost of sales			1,759,735			1,759,735
Capital outlay					1,145,229	1,145,229
Total Expenditures	199,100,646	2,930,825	1,759,735	4,693,888	1,145,229	209,630,323
Excess (Deficiency) of Revenues Over Expenditures	11,398,650	(403,280)	(74,949)	(3,777,737)	(1,145,229)	5,997,455
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	90,165	403,280		3,777,813	969,325	5,240,583
Operating transfers (out)	(5,150,418)				(90,165)	(5,240,583)
Total Other Financing Sources and (Uses)	(5,060,253)	403,280	-	3,777,813	879,160	-
Net Change in Fund Balances	6,338,397	-	(74,949)	76	(266,069)	5,997,455
Fund Balances (Deficit) - Beginning of Year	52,082,287		802,751	21,475	205,979	53,112,492
End of Year	\$ 58,420,684	\$ -	\$ 727,802	\$ 21,551	\$ (60,090)	\$ 59,109,947

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For The Year Ended June 30, 2016

Net Change in Fund Balances \$ 5,997,455

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

Long-Term Revenue and Expense Differences

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in compensated absences payable	\$ (178,500)	
Increase in workers' compensation liabilities	(327,656)	
Increase in net other postemployment benefits obligation	<u>(14,446,865)</u>	
		(14,953,021)

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which, depreciation exceeded capital outlays in the period.

Capital outlays	2,256,324	
Depreciation expense	<u>(3,344,332)</u>	
		(1,088,008)

Long-Term Debt Transactions Differences

The amortization of the deferred premium on the advance refunding of bonds, decreases interest expense in the Statement of Activities.

154,035

Repayment of long-term debt 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.

Repayment of bond principal	3,485,000	
Repayment of installment purchase debt	177,568	

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2015 to June 30, 2016.

	<u>84,099</u>	3,900,702
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Pension Differences

The decrease in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.

Teachers' retirement system	17,633,916	
Employees' retirement system	<u>(781,323)</u>	
		<u>16,852,593</u>

Change in Net Position of Governmental Activities		<u>\$ 10,709,721</u>
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**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
June 30, 2016

	<u>Agency</u>	<u>Private Purpose Trust</u>
<b>ASSETS</b>		
Cash		
Unrestricted	\$ 1,613,554	\$
Restricted		<u>9,814</u>
Total Assets	<u>\$ 1,613,554</u>	<u>9,814</u>
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 319,050	
Due to governmental funds	952,864	
Other liabilities	<u>341,640</u>	
Total Liabilities	<u>\$ 1,613,554</u>	<u>-</u>
 <b>NET POSITION</b>		
Restricted for scholarships		<u>\$ 9,814</u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
For The Year Ended June 30, 2016

	Private Purpose Trust
<b>ADDITIONS</b>	
Investment earnings - interest	\$ 6
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>1,750</u>
Change in Net Position	(1,744)
Net Position - Beginning of Year	<u>11,558</u>
Net Position - End of Year	<u><u>\$ 9,814</u></u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Syosset Central School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

**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 nine 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 financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Funds. Separate audited 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 Board of Cooperative Educational Services of Nassau (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the 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 Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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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 Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

**C. Basis of Presentation**

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year end. 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. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

**Governmental Funds** - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

**General Fund** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

**Special Aid Fund** - is used to account 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 by either governments that provide the funds or outside parties.

**School Lunch Fund** - is used to account for the activities of the food service program.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

***Capital Projects Fund*** - is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets, such as equipment.

***Fiduciary 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. The following are the District's fiduciary funds:

***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.

***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.

**D. Measurement Focus and Basis of Accounting**

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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, compensated absences, pension costs and other postemployment benefits, 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 are reported as other financing sources.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**E. Real Property Taxes**

Calendar

Real property taxes are levied annually by the Board in August and become a lien on October 1<sup>st</sup> and April 1<sup>st</sup>. Taxes are collected by the Town of Oyster Bay during the periods October 1<sup>st</sup> through November 10<sup>th</sup>, and April 1<sup>st</sup> through May 10<sup>th</sup> without penalty and remitted to the District.

Enforcement

Uncollected real property taxes are subsequently enforced by the County of Nassau.

**F. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net resources 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 to Financial Statements.

**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 transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

In the district-wide 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 are 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.

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

**H. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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absences, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

**I. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

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

**J. Receivables**

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

**K. Inventory and Prepaid Items**

Inventory of food in the school lunch fund is 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 assigned value, which approximates market. Inventory is accounted for on the consumption method.

Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position and Balance Sheet using the consumption method.

Under the consumption method, a current asset for the inventory and/or prepaid item is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

**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 date of donation.

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, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 10,000	50 years
Land improvements	10,000	20 years
Furniture, equipment and vehicles	1,000	5-15 years

**M. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The deferred outflows of resources reported in the Statement of Net Position relates to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense and District contributions to the pension systems (TRS and ERS) subsequent to the measurement date.

**N. Collections in Advance**

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts and summer program fees. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

**O. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the Statement of Net Position is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense.

**P. Employee Benefits – Compensated Absences**

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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The liability for compensated absences 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, a 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 30<sup>th</sup>.

**Q. Other Benefits**

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

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

The District provides health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

**R. Short-Term Debt**

The District may issue revenue anticipation notes (RAN) and 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 RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from 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 date.

**S. Equity Classifications**

District-Wide Statements

In the district-wide statements there are three classes of net position:

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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*Net investment in capital assets* – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

*Restricted* – Reports net position when constraints placed on the assets or deferred outflows of resources 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* – Reports the balance of net position that does not meet the definition of the above two classifications.

**Fund Statements**

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

*Nonspendable* – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory and prepaids.

*Restricted* – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

*Workers' Compensation Reserve*

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

*Unemployment Insurance Reserve*

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

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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*Retirement Contribution Reserve*

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

*Insurance Reserve*

Insurance Reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund.

*Employee Benefit Accrued Liability Reserve*

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time 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. The reserve is accounted for in the general fund.

*Capital Reserve*

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The reserve is accounted for in the general fund.

*Repairs Reserve*

Repairs 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. The reserve is accounted for in the general fund.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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*Restricted for Debt Service*

Unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

*Restricted for Scholarships*

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

*Assigned* – Consists of 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 also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

*Unassigned* – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned. NYS Real Property Tax Law §1318, restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

Fund Balance Classification

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

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned), the Board will assess the current financial condition of the District and then determine the order of fund balance classification to which the expenditures will be charged.

**2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS**

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



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**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. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities, including pensions.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

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 accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension Differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability, differences between the District's contributions and its proportionate share of the total contributions to the pension systems and District contributions to the pension systems subsequent to the measurement date.

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. 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 can be funded by the planned use of specific reserves, and can be increased by 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) and appropriation of fund balances. 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. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. 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 part of assigned fund balance, unless classified as restricted, 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.

**C. Capital Projects Fund**

The capital projects fund has an unassigned fund balance deficit of \$60,090. This relates to work on the high school roof. The deficit will be eliminated with a 2016-17 budget transfer.

**4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. 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 New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year end.

**5. PARTICIPATION IN BOCES**

During the year ended June 30, 2016, the District was billed \$6,916,399 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,744,659. Financial statements for the BOCES are available from the BOCES administrative offices at 71 Clinton Road, P.O. Box 9195, Garden City, New York 11530-9195.

**6. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2016 consisted of:

General Fund	
New York State - excess cost aid	\$ 484,130
BOCES aid	<u>1,387,789</u>
	1,871,919
Special Aid Fund	
Federal and state grants	822,147
School Lunch Fund	
Federal and state food service program reimbursements	<u>10,428</u>
	<u><u>\$ 2,704,494</u></u>

**7. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2016 consisted of:

General Fund	
PILOT payments	\$ 119,904
Other districts, charges for services	<u>189,254</u>
	<u><u>\$ 309,158</u></u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**8. CAPITAL ASSETS**

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

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,254,281	\$	\$	\$ 1,254,281
Total capital assets not being depreciated	1,254,281	-	-	1,254,281
Capital assets being depreciated				
Buildings and improvements	128,913,878	1,085,090		129,998,968
Land improvements	3,516,170			3,516,170
Furniture, equipment and vehicles	8,054,057	1,171,234	(185,870)	9,039,421
Total capital assets being depreciated	140,484,105	2,256,324	(185,870)	142,554,559
Less accumulated depreciation for:				
Buildings and improvements	52,190,846	2,487,767		54,678,613
Land improvements	2,929,346	139,302		3,068,648
Furniture, equipment and vehicles	5,522,546	717,263	(185,870)	6,053,939
Total accumulated depreciation	60,642,738	3,344,332	(185,870)	63,801,200
Total capital assets, being depreciated, net	79,841,367	(1,088,008)	-	78,753,359
Capital assets, net	\$ 81,095,648	\$ (1,088,008)	\$ -	\$ 80,007,640

Depreciation expense was charged to governmental functions as follows:

General support	\$ 286,831
Instruction	3,048,882
Food service program	8,619
Total depreciation expense	\$ 3,344,332

**9. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2016, are as follows:

	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 2,016,484	\$	\$ 90,165	\$ 5,150,418
Special Aid Fund		784,415	403,280	
School Lunch Fund		272,165		
Debt Service Fund			3,777,813	
Capital Projects Fund		7,040	969,325	90,165
Total Governmental Funds	2,016,484	1,063,620	5,240,583	5,240,583
Fiduciary Funds		952,864		
Total	\$ 2,016,484	\$ 2,016,484	\$ 5,240,583	\$ 5,240,583

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools, the debt service fund, and the capital projects fund in accordance with the general fund budget.

The transfer from the capital projects fund to the general fund was for the unspent funds from completed projects.

**10. SHORT-TERM DEBT**

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

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance June 30, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2016</u>
TAN	6/28/2016	2.00%	\$ -	\$ 24,000,000	\$ (24,000,000)	\$ -

Interest on short-term debt for the year was \$357,333. The District received a premium of \$306,360, which is included in miscellaneous revenue in the general fund. The net effective interest rate was 0.29%.

**11. LONG-TERM LIABILITIES**

**A. Changes**

Long-term liability balances and activity, excluding pension and other postemployment benefits obligations, for the year are summarized below:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Long-term debt:					
Bonds payable	\$ 30,390,000	\$ -	\$ (3,485,000)	\$ 26,905,000	\$ 3,605,000
Add: Premiums on refunding	1,239,649	-	(154,035)	1,085,614	154,035
	31,629,649	-	(3,639,035)	27,990,614	3,759,035
Installment purchase debt	177,568	-	(177,568)	-	-
	31,807,217	-	(3,816,603)	27,990,614	3,759,035
Other long-term liabilities					
Compensated absences	5,151,497	178,500	-	5,329,997	100,000
Workers' compensation	2,349,244	1,060,669	(733,013)	2,676,900	-
	7,500,741	1,239,169	(733,013)	8,006,897	100,000
	<u>\$ 39,307,958</u>	<u>\$ 1,239,169</u>	<u>\$ (4,549,616)</u>	<u>\$ 35,997,511</u>	<u>\$ 3,859,035</u>

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

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2016
Serial bond	9/04	2017	2.0-4.0 %	\$ 680,000
Serial bond	7/01	2022	4.0-5.0 %	60,000
Serial bond	7/02	2022	4.1-5.0 %	120,000
Serial bond	5/07	2022	4.3-5.0 %	7,605,000
Serial bond (refunding)	10/13	2026	2.0-5.0 %	7,370,000
Serial bond (refunding)	10/13	2026	2.0-5.0 %	9,620,000
Serial bond (refunding)	5/15	2027	2.0-5.0 %	1,450,000
				<u>\$ 26,905,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 3,605,000	\$ 1,088,413	\$ 4,693,413
2018	3,050,000	959,550	4,009,550
2019	3,185,000	828,824	4,013,824
2020	3,335,000	688,893	4,023,893
2021	3,465,000	550,988	4,015,988
2022 - 2026	10,115,000	995,156	11,110,156
2027	150,000	3,750	153,750
Total	<u>\$ 26,905,000</u>	<u>\$ 5,115,574</u>	<u>\$ 32,020,574</u>

**C. Advance Refunding**

In the district-wide statements, the District is amortizing refunding bond premiums as a component of interest expense on a straight-line basis at \$154,035 per year through fiscal year June 30, 2024.

**D. Interest Expense**

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

Interest paid	\$ 1,208,888
Less interest accrued in the prior year	(476,340)
Plus interest accrued in the current year	392,241
Less amortization of premiums on refunding	<u>(154,035)</u>
Total interest expense on long-term debt	<u>\$ 970,754</u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**E. Library Debt**

In 2013, the district advance refund of \$8,035,000 of serial bonds on behalf of the Library. This was used for reconstruction of the Library building. Although the bond issue is an obligation of the District, the Library Board has committed to raise funds through its budget and tax levy sufficient to transfer to the District for the ensuing debt service payments. In the year ended June 30, 2016, the Library paid \$916,075 to cover the current debt service payments.

**12. PENSION PLANS – NEW YORK STATE**

**A. General Information**

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

**B. Provisions and Administration**

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). 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 the TRS. Once a public employer elects to participate in the TRS, 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 TRS may be found on the TRS website at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. Once a public employer elects to participate in the ERS, 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 ERS 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 on the NYS Comptroller's website 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 Employees' Retirement System, 110 State Street, Albany, NY 12244.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30<sup>th</sup>, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

The District's share of the required contributions, based on each year's covered payroll, for the current year and two preceding years was:

Contributions	TRS	ERS
2016	\$ 13,217,181	\$ 3,061,616
2015	17,352,729	3,863,204
2014	15,936,073	3,635,039

**D. Pension Assets/Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred 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 June 30, 2015, for TRS and March 31, 2016 for ERS. 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 TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
District's proportionate share of the net pension asset/(liability)	\$ 68,152,323	\$ (9,987,393)
District's portion of the Plan's total net pension asset/(liability)	0.6561430%	0.0622257%
Change in proportion since the prior measurement date	(0.0077550)	0.0013701

For the year ended June 30, 2016, the District recognized pension expense (credit) of \$(4,416,735) for TRS and \$3,842,939 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:

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$	\$ 50,469	\$ 1,888,792	\$ 1,183,839
Changes of assumptions		2,663,336		
Net difference between projected and actual earnings on pension plan investments		5,925,069	21,543,304	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	242,238	953,049	158,315	
District's contributions subsequent to the measurement date	<u>13,217,181</u>	<u>920,170</u>		
Total	<u>\$ 13,459,419</u>	<u>\$ 10,512,093</u>	<u>\$ 23,590,411</u>	<u>\$ 1,183,839</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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>Year Ended</u>	<u>TRS</u>	<u>ERS</u>
2017	\$ (8,682,513)	\$ 2,171,590
2018	(8,682,513)	2,171,590
2019	(8,682,513)	2,171,590
2020	3,589,493	1,893,314
2021	(228,686)	
Thereafter	<u>(661,441)</u>	
	<u>\$ (23,348,173)</u>	<u>\$ 8,408,084</u>

**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:



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
Actuarial valuation date	June 30, 2014	April 1, 2015
Interest rate	8.0%	7.0%
Salary scale	4.01-10.91%	3.8%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	3.0%	2.5%

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

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. 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.

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

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2015		March 31, 2016
Asset type				
Domestic equity	37.0%	6.50%	38.0%	7.30%
International equity	18.0%	7.70%	13.0%	8.55%
Real estate	10.0%	4.60%	8.0%	8.25%
Alternative investments	7.0%	9.90%	19.0%	6.75-11.00%
Domestic fixed income securities	17.0%	2.10%		
Global fixed income securities	2.0%	1.90%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term	1.0%	1.20%		
Cash			2.0%	2.25%
Inflation indexed bonds			2.0%	4.00%
	100.0%		100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 8.0% for TRS and 7.0% for ERS (the discount rate used by the ERS at the prior year's measurement date of March 31, 2015 was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 8.0% for TRS and 7.0% for ERS, 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 percentage point lower (7.0% for TRS and 6.0% for ERS) or 1 percentage point higher (9.0% for TRS and 8.0% for ERS) than the current rate:

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

TRS	1% Decrease (7.00)%	Current Assumption (8.00)%	1% Increase (9.00)%
District's proportionate share of the net pension asset (liability)	\$ (4,648,867)	\$ 68,152,323	\$ 130,236,451
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (22,520,845)	\$ (9,987,393)	\$ 602,839

**Pension Plan Fiduciary Net Position**

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2015	March 31, 2016
Employers' total pension liability	\$ (99,332,104)	\$ (172,303,544)
Plan fiduciary net position	109,718,917	156,253,265
Employers' net pension asset/(liability)	\$ 10,386,813	\$ (16,050,279)
Ratio of plan fiduciary net position to the employers' total pension liability	110.46%	90.68%

**Payables to the Pension Plan**

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. Accrued retirement contributions as of June 30, 2016, represent employer and employee contributions for the fiscal year ended June 30, 2016, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$13,217,181 of employer contributions and \$539,904 of employee contributions.

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 covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$920,170 of employer contributions. Employee contributions are remitted monthly.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**13. PENSION PLANS - OTHER**

**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 based on contractual agreements. Contributions made by the District and the employees for the year ended June 30, 2016, totaled \$40,000 and \$5,848,345, respectively.

**14. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. Plan Description**

The District provides medical, medigap, Medicare part B reimbursement, and dental and vision coverage (the healthcare plan) and life insurance to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The plan does not issue a stand-alone financial report.

**B. Funding Policy**

The District assumes the full cost of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2016, the District recognized a general fund expenditure of \$7,493,819 for insurance premiums for currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

**C. Annual OPEB Cost and Net OPEB Obligation**

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with 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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 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.

Annual required contribution (ARC)	\$ 23,473,612
Interest on net OPEB obligation	3,926,219
Adjustment to ARC	<u>(5,459,147)</u>
Annual OPEB cost (expense)	21,940,684
Contributions made	<u>(7,493,819)</u>
 Increase in net OPEB obligation	 14,446,865
Net OPEB obligation - beginning of year	<u>98,155,467</u>
 Net OPEB obligation - end of year	 <u><u>\$ 112,602,332</u></u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 21,940,684	34.2%	\$ 112,602,332
June 30, 2015	21,782,136	34.2%	98,155,467
June 30, 2014	18,164,594	34.7%	83,812,848

**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 \$238,063,992 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$238,063,992. The covered payroll (annual payroll of active employees covered by the plan) was \$106,013,592, and the ratio of the UAAL to the covered payroll was 224.6%.

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and 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 the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.0% in 2022. The UAAL is being amortized each year over a constant 30 year period, as a level dollar amount.

**15. RISK MANAGEMENT**

**A. General Information**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

parties. Settled claims from these risks have not exceeded available reserves and 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. Liabilities as provided by the third party administrator do not include an amount for claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	<u>2015</u>	<u>2016</u>
Unpaid claims at beginning of year	\$ 2,333,699	\$ 2,349,244
Incurred claims and claim adjustment expenses	587,572	1,060,669
Claim payments	<u>(572,027)</u>	<u>(733,013)</u>
Unpaid claims at year end	<u>\$ 2,349,244</u>	<u>\$ 2,676,900</u>

**16. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES**

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2016 restricted fund balances, to fund the budget for the year ending June 30, 2017:

Workers' Compensation	\$ 730,000
Unemployment Insurance	68,000
Retirement Contributions	2,865,775
Employee Benefit Accrued Liability	<u>100,000</u>
	<u>\$ 3,763,775</u>

**17. ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$5,015,000 has been appropriated to reduce taxes for the year ending June 30, 2017.

**18. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

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

Assigned: Unappropriated Fund Balance:

General Fund	
General Support	\$ 665,909
Instruction	<u>590,661</u>
	<u>\$ 1,256,570</u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 audits, the District's administration believes disallowances, if any, would be immaterial.

**C. Litigation**

The District is involved in lawsuits arising from the normal conduct of its affairs. Management believes that the outcome of any matters will not have a material effect on these financial statements.

**19. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 12, 2016, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

**Sale of District Property**

On September 19, 2016, the Board of Education approved the sale of a 2.4 acre district-owned parcel of land adjacent to the Walt Whitman Elementary School campus. The proposal price approximates \$5,350,000.

**Issuance of TANs**

On September 23, 2016, the District issued tax anticipation notes in the amount of \$21,000,000, which are due June 27, 2017 and bear interest at a stated rate of 1.50%. The District received premiums of \$107,942 with the borrowing to yield an effective interest of 0.825%.



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$ 192,035,706	\$ 174,813,993	\$ 174,813,309	\$ (684)
Other tax items	3,245,043	20,466,756	20,454,541	(12,215)
Charges for services	940,124	940,124	996,606	56,482
Use of money and property	131,168	131,168	177,740	46,572
Forfeiture			925	925
Sale of property and compensation for loss	13,158	13,158	10,568	(2,590)
Miscellaneous	440,000	440,000	1,560,911	1,120,911
Total Local Sources	196,805,199	196,805,199	198,014,600	1,209,401
State Sources	11,985,607	11,985,607	12,411,201	425,594
Medicaid Reimbursement			21,749	21,749
Federal Sources			51,746	51,746
Total Revenues	208,790,806	208,790,806	210,499,296	1,708,490
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in			90,165	90,165
Total Revenues and Other Sources	208,790,806	208,790,806	210,589,461	\$ 1,798,655
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	2,469,325	2,469,325		
Prior Year's Encumbrances	1,330,997	1,330,997		
Appropriated Reserves	4,325,321	4,325,321		
Total Appropriated Fund Balance	8,125,643	8,125,643		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 216,916,449	\$ 216,916,449		

**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.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 137,052	\$ 142,302	\$ 114,624	\$ 587	\$ 27,091
Central administration	401,883	403,704	402,007		1,697
Finance	1,035,232	1,070,160	968,193	26,989	74,978
Staff	1,035,694	1,039,527	931,729		107,798
Central services	17,145,466	17,121,996	15,169,584	638,333	1,314,079
Special items	2,631,844	2,582,650	2,395,389		187,261
Total General Support	22,387,171	22,360,339	19,981,526	665,909	1,712,904
Instruction					
Administration & improvement	8,521,317	8,536,948	8,268,107	1,713	267,128
Teaching - regular school	74,616,754	74,584,678	71,152,932	208,811	3,222,935
Programs for students with disabilities	28,071,245	28,046,609	25,960,424		2,086,185
Occupational education	330,000	328,869	315,591		13,278
Teaching - special schools	418,607	440,999	440,999		-
Instructional media	4,083,989	4,105,989	3,555,186	339,430	211,373
Pupil services	10,275,561	10,300,212	10,107,427	40,707	152,078
Total Instruction	126,317,473	126,344,304	119,800,666	590,661	5,952,977
Pupil Transportation	9,770,920	9,770,920	9,113,314		657,606
Community Services	318,411	318,412	211,778		106,634
Employee Benefits	52,398,020	52,398,020	49,636,029		2,761,991
Debt Service - Interest	479,167	479,167	357,333		121,834
Total Expenditures	211,671,162	211,671,162	199,100,646	1,256,570	11,313,946
<b>OTHER USES</b>					
Operating transfers out	5,245,287	5,245,287	5,150,418		94,869
Total Expenditures and Other Uses	\$ 216,916,449	\$ 216,916,449	204,251,064	\$ 1,256,570	\$ 11,408,815
Net Change in Fund Balance			6,338,397		
Fund Balance - Beginning of Year			52,082,287		
Fund Balance - End of Year			\$ 58,420,684		

**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.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Schedule of Funding Progress - Other Postemployment Benefits**  
June 30, 2016

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 238,063,992	\$ 238,063,992	0%	\$ 106,013,592	224.6%
July 1, 2012	-	205,473,614	205,473,614	0%	102,081,398	201.3%
July 1, 2010	-	235,759,198	235,759,198	0%	96,852,503	243.4%

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/Liability**  
June 30, 2016

***Teachers' Retirement System***

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension asset	0.6561430%	0.6638980%
District's proportionate share of the net pension asset	\$ 68,152,323	\$ 73,954,151
District's covered payroll	\$ 98,988,756	\$ 98,068,141
District's proportionate share of the net pension asset as a percentage of its covered payroll	68.85 %	75.41 %
Plan fiduciary net position as a percentage of the total pension liability	110.46%	111.48%

***Employees' Retirement System***

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0622257%	0.0608556%
District's proportionate share of the net pension liability	\$ 9,987,393	\$ 2,055,850
District's covered payroll	\$ 18,893,119	\$ 18,097,266
District's proportionate share of the net pension liability as a percentage of its covered payroll	52.86 %	11.36 %
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Schedule of District Contributions**  
June 30, 2016

***Teachers' Retirement System***

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 13,217,181	\$ 17,352,729	\$ 15,936,073	\$ 10,987,130	\$ 10,174,683	\$ 7,947,996	\$ 5,465,724	\$ 6,552,581	\$ 7,091,034	\$ 6,572,371
Contributions in relation to the contractually required contribution	<u>13,217,181</u>	<u>17,352,729</u>	<u>15,936,073</u>	<u>10,987,130</u>	<u>10,174,683</u>	<u>7,947,996</u>	<u>5,465,724</u>	<u>6,552,581</u>	<u>7,091,034</u>	<u>6,572,371</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 99,797,318	\$ 98,988,756	\$ 98,068,141	\$ 92,796,707	\$ 91,581,302	\$ 92,204,130	\$ 88,299,257	\$ 85,879,174	\$ 81,226,048	\$ 76,422,919
Contributions as a percentage of covered payroll	13%	18%	16%	12%	11%	9%	6%	8%	9%	9%

***Employees' Retirement System***

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 3,061,616	\$ 3,863,204	\$ 3,635,039	\$ 3,239,514	\$ 2,750,533	\$ 1,992,092	\$ 1,274,246	\$ 1,296,752	\$ 1,331,814	\$ 1,352,993
Contributions in relation to the contractually required contribution	<u>3,061,616</u>	<u>3,863,204</u>	<u>3,635,039</u>	<u>3,239,514</u>	<u>2,750,533</u>	<u>1,992,092</u>	<u>1,274,246</u>	<u>1,296,752</u>	<u>1,331,814</u>	<u>1,352,993</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 18,952,012	\$ 18,512,867	\$ 17,480,011	\$ 17,392,116	\$ 17,277,518	\$ 17,212,524	\$ 16,780,615	\$ 15,280,176	\$ 14,244,012	\$ 13,593,925
Contributions as a percentage of covered payroll	16%	21%	21%	19%	16%	12%	8%	8%	9%	10%

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit - General Fund**  
For The Year Ended June 30, 2016

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 215,585,452
Additions:	
Prior year's encumbrances	<u>1,330,997</u>
Original Budget	216,916,449
Budget revision	<u>-</u>
Final Budget	<u><u>\$ 216,916,449</u></u>

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

2016-17 voter-approved expenditure budget	<u><u>\$ 219,860,188</u></u>
Maximum allowed (4% of 2016-17 budget)	<u><u>\$ 8,794,408</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 6,271,570
Unassigned fund balance	<u>8,765,467</u>
	\$ 15,037,037
Less:	
Appropriated fund balance	5,015,000
Encumbrances	<u>1,256,570</u>
Total adjustments	<u><u>6,271,570</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 8,765,467</u></u>
Actual Percentage	4.0%

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Schedule of Project Expenditures -**  
**Capital Projects Fund**  
For The Year Ended June 30, 2016

PROJECT TITLE	Budget		Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2016
	June 30, 2015	June 30, 2016	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
2008-09 Budget Appropriation	\$ 497,500	\$ 497,500	\$ 474,114	\$	\$ 474,114	\$ 23,386	\$	\$	\$ 497,500	\$ 497,500	\$ 23,386 *
2009-10 Budget Appropriation	247,500	247,500	165,348	15,716	181,064	66,436			247,500	247,500	66,436 *
2010-11 Budget Appropriation	365,500	365,500	265,059	100,098	365,157	343			365,500	365,500	343 *
2015-16 Budget Appropriation		969,325		1,029,415	1,029,415	(60,090)			969,325	969,325	(60,090) ±
Totals	<u>\$ 1,110,500</u>	<u>\$ 2,079,825</u>	<u>\$ 904,521</u>	<u>\$ 1,145,229</u>	<u>\$ 2,049,750</u>	<u>\$ 30,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,079,825</u>	<u>\$ 2,079,825</u>	30,075
										Less: Operating transfers	(90,165) *
											<u>\$ (60,090)</u>

\* Unspent amounts transferred to general fund.

± To be funded through 2016-17 budget transfer.



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
June 30, 2016

Capital assets, net	<u>\$ 80,007,640</u>
Deduct:	
Short-term portion of bonds payable	3,605,000
Long-term portion of bonds payable	<u>23,300,000</u>
	<u>26,905,000</u>
Net Investment in Capital Assets	<u><u>\$ 53,102,640</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  
Syosset Central School District  
Syosset, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Syosset Central School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 12, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Syosset Central 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 Syosset Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Syosset Central 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 Syosset Central 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*.

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Syosset Central School District in a separate letter dated October 12, 2016.

## **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cullen & Danowski, LLP*

October 12, 2016

