ROCKY POINT UNION FREE SCHOOL DISTRICT FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITOR'S REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

# ROCKY POINT UNION FREE SCHOOL DISTRICT

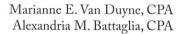
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# INDEPENDENT AUDITOR'S REPORT

To the Board of Education Rocky Point Union Free School District

# **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of Rocky Point Union Free School District, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

# Management's Responsibility for the Financial Statements

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

# Auditor's Responsibility

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

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

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

# **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of Rocky Point Union Free School District, as of June 30, 2015, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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# Emphasis of Matter - Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, Rocky Point Union Free School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

#### Other Matters

# Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 3 through 11 and 42 through 45, 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 Boards, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

# Other Information

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

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

# Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2015 on our consideration of Rocky Point Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Rocky Point Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R. S. abrana + Co. XXP

Islandia, NY October 9, 2015

# ROCKY POINT UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The Rocky Point Union Free School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2015 and 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

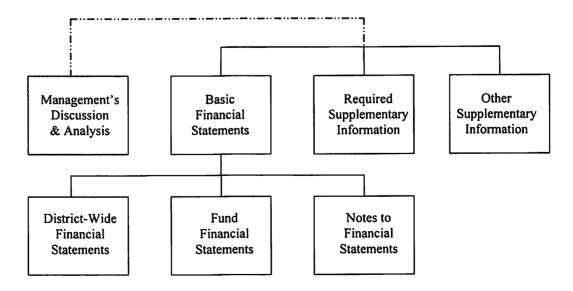
# 1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2015, are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$3,838,522.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$73,961,731. Of this amount, \$926,915 was offset by program charges for services. General revenues of \$74,514,653 amount to 95.78% of total revenues.
- The general fund's total fund balance, as reflected in the fund financial statements on pages 14 and 16, increased by \$137,625 to \$21,270,384. This was due to excess revenues and other financing sources over expenditures and other financing uses based on the modified accrual basis of accounting.
- The District received \$2,358,685 in operating grants to support instruction, pupil transportation and food service programs.
- State sources increased by \$1,880,477 to \$26,885,443 in 2015 from \$25,004,966 in 2014.
- The District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions Amendment to GASB Statement No. 27 (GASB No. 68) and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (GASB No. 71). The implementation of GASB No. 68 and No. 71 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the District's participation in the New York State Teachers' and Employees' retirement systems. The Districts 2014 net position was restated by \$5,142,665.

# 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:



# ROCKY POINT UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

#### A. <u>District-wide Financial Statements</u>

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, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between them 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, respectively.

#### 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. 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.

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 that they become measurable, funded through available resources and payable within a current period.

#### Governmental Funds

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.

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, school lunch fund, special aid 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. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. 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.

(Continued)

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

#### A. Net Position:

The District's total net position increased by \$3,838,522 between fiscal year 2014 and 2015. A summary of the District's Statement of Net Position for June 30, 2015 and 2014, is as follows:

	2015	Restated 2014	Increase (Decrease)	Percentage Change
Current and other assets	\$ 29,800,131	\$ 29,293,164	\$ 506,967	1.73%
Capital assets, (net of depreciation)	48,072,029	49,593,999	(1,521,970)	(3.07%)
Net pension asset - proportionate share	<u>21,408,959</u>	1,215,462	20,193,497	1661.38%
Total Assets	99,281,119	80,102,625	19,178,494	23.94%
Deferred outflows of resources	5,513,539	4,891,413	622,126	12.72%
Total Assets and Deferred Outflows of Resources	<u>\$ 104,794,658</u>	<u>\$ 84,994,038</u>	<u>\$ 19,800,620</u>	23.30%
Other liabilities	\$ 7,966,145	\$ 7,542,380	\$ 423,765	5.62%
Long-term liabilities	51,645,817	50,771,386	<u>874,431</u>	1.72%
Total Liabilities	59,611,962	58,313,766	1,298,196	2.23%
Deferred inflows of resources	15,168,487	504,585	14,663,902	2906.13%
Total Liabilities and Deferred Inflows of Resources	74,780,449	58,818,351	15,962,098	27.14%
Net position				
Net investment in capital assets	\$ 32,680,594	\$ 31,725,481	\$ 955,113	3.01%
Restricted	16,749,570	16,020,751	728,819	4.55%
Unrestricted (deficit)	(19,415,955)	(21,570,545)	<u>2,154,590</u>	9.99%
Total Net Position	30,014,209	26,175,687	3,838,522	14.66%
Total Liabilities, Deferred Inflows of Resources			<b></b>	00.0001
and Net Position	<u>\$ 104,794,658</u>	<u>\$ 84,994,038</u>	<u>\$19,800,620</u>	23.30%

The implementation of GASB No. 68 required the District to restate its net position at June 30, 2014 by reporting of an asset, deferred outflow of resources and liability related to the District's participation in the New York State Teachers' and Employees' retirement systems. The details of the restatement are more fully described in Note 13 to the Financial Statements.

Current and other assets increased by \$506,967, as compared to the prior year. The increase is primarily due to an increase in the amount due from other governments offset by a reduction in District's cash balances used for operations during the year.

Capital assets (net of depreciation) decreased by \$1,521,970, as compared to the prior year. This decrease is due to depreciation exceeding amounts expended for capital additions. Note 7 to the Financial Statements provides additional information.

Net pension asset –proportionate share provided by the Teachers' Retirement System increased by \$20,193,497, as compared to the prior year.

Deferred outflows of resources provided by the Retirement Systems increased by \$622,126, as compared to the prior year

Other liabilities increased by \$423,765 as compared to the prior year. This increase is primarily a result of an increase in liabilities to the retirement systems.

Long-term liabilities increased by \$874,431, as compared to the prior year. This increase is primarily the result of the District recognizing an increase in the other postemployment benefits (OPEB) and compensated absences which exceeded the repayment of bond principal and reductions in workers compensation claims liabilities and net pension liability – proportionate share.

# ROCKY POINT UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

Deferred inflows of resources increased by \$14,663,902 due to an increase in amounts provided by the Teachers' Retirement System exceeding the annual amortization of deferred amounts from refunding of debt. Note 12 to the Financial Statements provides additional details.

The net investment in capital assets portion of the District's net position is calculated by subtracting the amount of outstanding debt net of unspent proceeds but including the deferred inflows on the advance refunding used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations. This number increased from the prior year by \$955,113 primarily due to a reduction in related debt exceeding depreciation.

The restricted net position at June 30, 2015, of \$16,749,570 is comprised of amounts with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Note 1 to the basic financial statements provides further descriptions and detailed balances.

The unrestricted deficit portion of the District's net position at June 30, 2015, is \$19,415,955, which represents the amount by which the District's liabilities, excluding debt related to capital construction, and deferred inflows of resources related to pensions, exceeded its assets, other than capital assets, and deferred outflows of resources.

# 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. 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, 2015 and 2014 is as follows:

			Increase	Percentage
Revenues	2015	2014	(Decrease)	Change
Program revenues				
Charges for services	\$ 926,915	\$ 983,395	\$ (56,480)	(5.74%)
Operating grants and contributions	2,358,685	2,345,971	12,714	0.54%
General revenues				
Property taxes and other tax items	46,929,059	46,473,962	455,097	0.98%
State sources	26,885,443	25,004,966	1,880,477	7.52%
Other	700,151	402,876	297,275	73.79%
Total Revenues	77,800,253	<u>75,211,170</u>	2,589,083	3.44%
Expenses				
General support	9,082,035	9,751,503	(669,468)	(6.87%)
Instruction	58,275,705	63,385,630	(5,109,925)	(8.06%)
Pupil transportation	4,652,627	4,680,140	(27,513)	(0.59%)
Debt service-unallocated interest	726,030	806,163	(80,133)	(9.94%)
Food service	1,225,334	1,143,192	<u>82,142</u>	7.19%
Total Expenses	73,961,731	79,766,628	(5,804,897)	(7.28%)
Total Change in Net Position	<u>\$ 3,838,522</u>	<u>\$ (4,555,458)</u>	<u>\$ 8,393,980</u>	184.26%

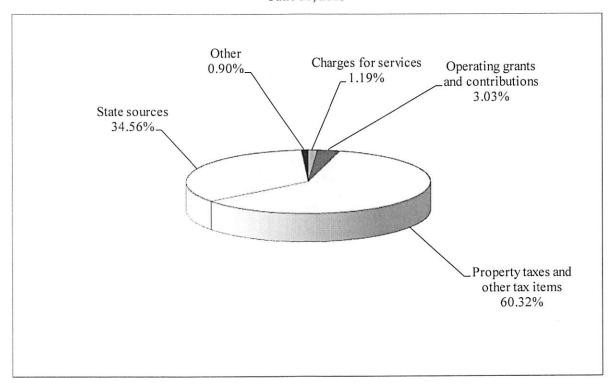
2014 information was not restated because all the information necessary was not readily available. The cumulative effect of applying the change of accounting principle is shown as an adjustment to the beginning net position. See note 13 for more information.

The District's revenues increased by 3.44% in 2015 or \$2,589,083. The major factors that contributed to the increase were an increase in property taxes and other tax items of \$455,097, state sources of \$1,880,477 and other sources of \$297,275.

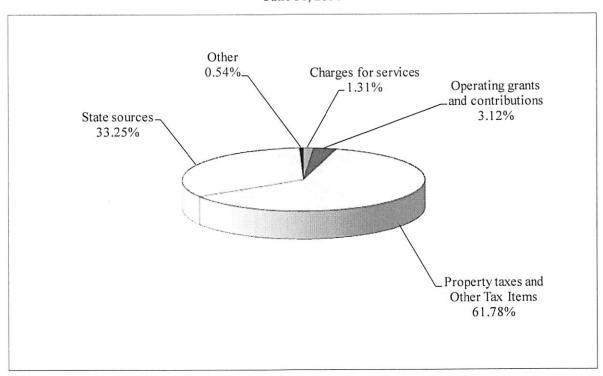
The District's expenses for the year decreased by \$5,804,897 or 7.28%. This decrease was a result of the District recognizing a credit to pension expenses of \$6,323,016 in 2015 due to the adoption of GASB No. 68 and No. 71 (See Notes 1 and 12 to the Financial Statements.) Budgetary increases to operating expenses in the general fund and increases in postemployment benefit expenses over the prior year offset the reduction in pension expense.

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

June 30, 2015

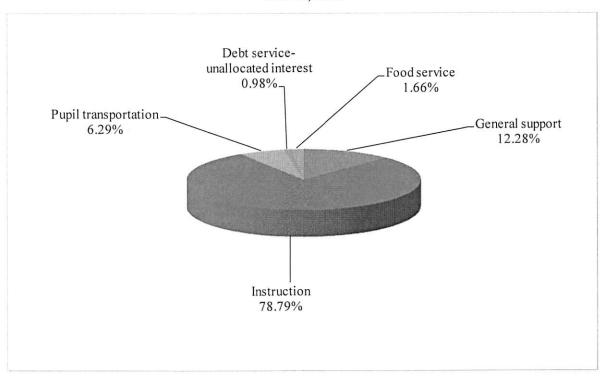


June 30, 2014

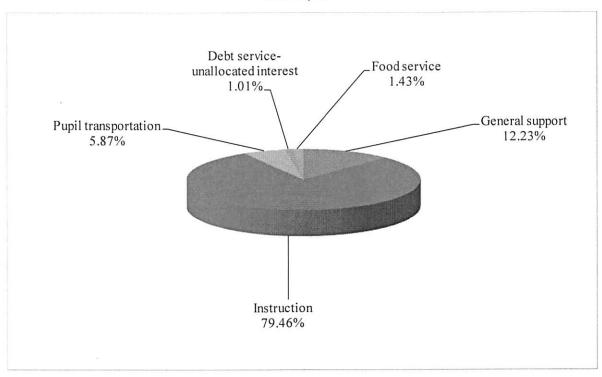


A graphic display of the distribution of expenses for the two years follows:

June 30, 2015



June 30, 2014



(Continued)

#### 4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUND BALANCES

At June 30, 2015, the District's governmental funds reported a combined fund balance of \$21,881,546, which is an increase of \$75,740 from the prior year. This increase is primarily due to excess revenues over expenditures in the general fund offset by a deficit in the school lunch fund. A summary of the change in fund balance by fund is as follows:

			Increase
General Fund	2015	2014	(Decrease)
Nonspendable	\$ 60,000	\$	\$ 60,000
Restricted			
Workers' compensation	2,407,107	846,659	1,560,448
Unemployment insurance	602,600	614,529	(11,929)
Employee benefit accrued liability	4,425,284	4,579,328	(154,044)
Retirement contribution	8,118,957	8,787,429	(668,472)
Property loss and liability	53,263	53,166	97
Insurance	53,263	53,166	97
Capital	<u>774,390</u>	772,986	1,404
Total Restricted	16,434,864	<u>15,707,263</u>	727,601
Assigned			
Unappropriated fund balance	167,391	287,844	(120,453)
Appropriated fund balance	<u>1,465,650</u>	2,600,000	(1,134,350)
Total Assigned	1,633,041	2,887,844	(1,254,803)
Unassigned	3,142,479	2,537,652	604,827
Total General Fund	21,270,384	21,132,759	137,625
School Lunch Fund			
Nonspendable: Inventory	37,849	36,877	972
Assigned - unappropriated	27,645	91,720	(64,075)
Total School Lunch Fund	65,494	128,597	(63,103)
Debt Service Fund			
Restricted	<u>314,706</u>	313,488	1,218
Total Debt Service Fund	<u>314,706</u>	313,488	1,218
Capital Projects Fund			
Restricted - unspent bond proceeds	101,067	101,067	
Assigned - unappropriated	129,895	<u>129,895</u>	
Total Capital Fund	230,962	230,962	
Total Fund Balance - All Funds	<u>\$21,881,546</u>	<u>\$21,805,806</u>	<u>\$ 75,740</u>

#### 5. GENERAL FUND BUDGETARY HIGHLIGHTS

# A. 2014-2015 Budget:

The District's general fund adopted budget for the year ended June 30, 2015, was \$76,886,042. This is an increase of \$2,624,460 over the prior year's adopted budget.

The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was \$46,928,960 in estimated property taxes and STAR, and state aid in the amount of \$26,062,087.

# 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 and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

# ROCKY POINT UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

Opening, unassigned fund balance	\$2,537,652
Reserves appropriated for the June 30, 2015 budget	(983,195)
Revenues over budget	1,439,932
Expenditures and encumbrances under budget	2,401,341
Increase in nonspendable fund balance	(60,000)
Net increase in restricted funds	(727,601)
Appropriated for June 30, 2016 budget	(1,465,650)
Closing, unassigned fund balance	<u>\$3,142,479</u>

#### Opening, Unassigned Fund Balance

The \$2,537,652 shown in the table is the portion of the District's June 30, 2014 fund balance that was retained as unassigned. This was approximately 3.3% of the District's 2014-2015 approved operating budget.

#### Revenues over Budget

The 2014-2015 final budget for revenues and transfers from other funds was \$73,331,599. The actual revenues and transfers from other funds received for the year were \$74,771,531. The actual revenue and transfers from other funds exceeded the estimated or budgeted revenue by \$1,439,932. The largest contributor to variance was an increase in state aid and refund of prior years expenditures over budget. This variance contributes directly to the increase to the unassigned portion of the general fund fund balance from June 30, 2014 to June 30, 2015.

#### **Expenditures and Encumbrances under Budget**

The 2014-2015 final budget for expenditures was \$77,202,638. The actual expenditures and encumbrances were \$74,801,297. The final budget was under expended by \$2,401,341. Contributing to this positive expense variance were lower than expected instructional expenses. This under expenditure contributes to the change to the unassigned portion of the general fund fund balance from June 30, 2014 to June 30, 2015.

# Increase in Nonspendable Fund Balance

The District classified \$60,000 of prepaid expenditures as nonspendable fund balance at June 30, 2015.

#### Net Increase to Restricted Funds

The Board of Education appropriated and expended \$75,000, \$25,000, \$200,000 and \$683,195 from the Workers' Compensation Reserve, Unemployment Insurance Reserve, Employee Benefit Accrued Liability Reserve and Retirement Contribution Reserve, respectively. The Board of Education also approved the transfer of \$1,694,046, \$12,000 and \$38,000 into the Workers Compensation Reserve, Unemployment Insurance Reserve and Employee Benefit Accrued Liability Reserve, respectively. The remaining balance of the increase is interest earned during the year.

# Appropriated for June 30, 2016 Budget

To mitigate the increase to the tax levy, the District allocated \$1,465,650 of its available June 30, 2015, fund balance to partially fund its 2015-2016 approved operating budget.

# Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2015-2016 fiscal year with an unassigned fund balance of \$3,142,479. This is an increase of \$604,827 from the prior year's unassigned fund balance. This was approximately 4.0% of the District's 2015-2016 approved operating budget.

# 6. CAPITAL ASSET AND DEBT ADMINISTRATION

#### A. Capital Assets:

At June 30, 2015, the District had invested in a broad range of capital assets, including land, construction in progress, buildings, and vehicles, furniture, and equipment. The net decrease in capital assets is due to capital additions less depreciation recorded for the year ended June 30, 2015. A summary of the District's capital assets, net of depreciation at June 30, 2015 and 2014, is as follows:

# ROCKY POINT UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

			Increase
	2015	2014	(Decrease)
Land	\$ 737,304	\$ 732,205	\$ 5,099
Construction in progress	1,600	1,600	
Buildings and improvements	74,080,713	74,080,713	
Improvements other than buildings	1,219,243	1,219,243	
Vehicles, furniture, and equipment	<u>3,371,275</u>	3,273,871	97,404
Subtotal	79,410,135	79,307,632	102,503
Less: Accumulated depreciation	(31,338,106)	(29,713,633)	(1,624,473)
Capital assets, net	<u>\$_48,072,029</u>	<u>\$ 49,593,999</u>	<u>\$ (1,521,970)</u>

#### B. <u>Debt Administration:</u>

At June 30, 2015, the District had total bonds payable of \$15,060,000. A summary of the outstanding bonds at June 30, 2015 and 2014, is as follows:

Issue	Interest			
Date	Rate	2015	2014	(Decrease)
2008	3.00-5.00%	\$ 1,465,000	\$ 1,840,000	\$ (375,000)
2009	3.13-4.00%	4,985,000	5,435,000	(450,000)
2010	2.00-5.00%	<u>8,610,000</u>	10,190,000	(1,580,000)
		\$ 15,060,000	<u>\$ 17,465,000</u>	\$ (2,405,000)

# 7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The general fund budget for the 2015-2016 school year was approved by the voters in the amount of \$78,780,743. This is an increase in the operating budget of \$1,894,701 or 2.46% over the previous year's budget. The increase was primarily due to increases in contractual costs and an increase in the required contributions to the retirement system.

The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the District's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.

New York State recently enacted a law to effectively "freeze" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The law is effective for school districts starting with the 2014-15 school. This program will provide an incentive for the District to be tax cap compliant.

The Patient Protection and Affordable Care Act or more commonly referred to as the Affordable Care Act was enacted into law on March 23, 2010. Beginning in 2015, the mandate requires large employers (generally those with fifty (50) or more full-time equivalent employees) to either offer affordable health coverage to full-time employees and their dependents, or pay a penalty if the employer fails to offer affordable health coverage, and at least one full-time employee receives a premium tax credit to help purchase coverage through an affordable insurance exchange. It is anticipated that implementation of this law will increase the health insurance costs of the District.

#### 8. CONTACTING THE DISTRICT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact: Mr. Greg Hilton, Business Official, Rocky Point Union Free School District, 90 Rocky Point -Yaphank Rd., Rocky Point, New York 11778.

#### ROCKY POINT UNION FREE SCHOOL DISTRICT STATEMENT OF NET POSITION JUNE 30, 2015

Assets	
Cash and cash equivalents	
Unrestricted	\$ 6,303,933
Restricted	16,847,311
Receivables	
Other governments	4,183,443
Due from fiduciary funds	2,283,597
Other receivables	83,998
Inventory	37,849
Other assets	60,000
Capital assets	
Not being depreciated	738,904
Being depreciated, net of accumulated depreciation	47,333,125
Net pension asset - proportionate share	21,408,959
Total Assets	99,281,119
Deferred Outflows of Resources	
Pensions	5,513,539
Total assets and deferred outflows of resources	<u>\$ 104.794.658</u>
Liabilities	
Payables	
Accounts payable	\$ 2,284,860
Accrued liabilities	83,506
Accrued interest payable	47,560
Due to	
Other governments	11,270
Teacher's retirement system	5,229,125
Employees' retirement system	252,492
Fiduciary Fund	237
Unearned credits	
Collections in advance	57,095
Due within one year	
Bonds payable	2,460,000
Compensated absences payable	200,000
Due in more than one year	
Bonds payable	12,600,000
Net obligation of other postemployment benefits	30,003,241
Workers' compensation liability	702,009
Compensated absences payable	4,959,735
Net pension liability - proportionate share	720,832
Total Liabilities	<u>59,611,962</u>
Deferred Inflows of Resources	
Deferred amounts from refunding debt, net of amortization	432,502
Pensions	14,735,985
Total Deferred Inflows of Resources	15,168,487
Net Position	20 (00 504
Net investment in capital assets	32,680,594
Restricted	
Workers' compensation reserve	2,407,107
Unemployment insurance	602,600
Employee benefit accrued liability	4,425,284
Retirement contribution	8,118,957
Property loss and liability	53,263
Insurance	53,263
Capital reserve	774,390
Debt service-principal and interest	<u>314,706</u>
	16,749,570
[Investricted (definit)	(19,415,955)
Unrestricted (deficit)	(17,413,933)
Total net position	30,014,209
Total liabilities, deferred inflows of resources and net position	\$ 104,794,658
rotal habilities, deferred lithows of resources and net position	<u>u 104,774,056</u>

# ROCKY POINT UNION FREE SCHOOL DISTRICT STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	_						Net (Expense)		
Functions/Programs		Expenses		harges for Services	Operating Grants and Contributions		Revenue and Changes in Net Position		
General support	\$	9,082,035	\$		\$	\$	(9,082,035)		
Instruction		58,275,705		260,468	1,666,588		(56,348,649)		
Pupil transportation		4,652,627			224,762		(4,427,865)		
Debt service - unallocated interest		726,030					(726,030)		
Food service program		1,225,334		666,447	467,335		(91,552)		
Total Functions/Programs	<u>\$</u>	73,961,731	<u>\$</u>	<u>926,915</u>	<u>\$ 2,358,685</u>		(70,676,131)		
General Revenues									
Real property taxes							40,868,139		
Other tax items - including STAR							6,060,920		
Use of money and property							43,663		
Sale of property and compensation for	r loss						22,094		
State sources							26,885,443		
Miscellaneous							634,394		
Total General Revenues							74,514,653		
Change in Net Position							3,838,522		
Net Position, Beginning of Ye	ar						21,033,022		
Prior Period Adjustment (see	Note	13)					5,142,665		
Net Position, Beginning of Ye	ar (as	restated)					26,175,687		
Net Position, End of Year						<u>\$</u>	30,014,209		

# ROCKY POINT UNION FREE SCHOOL DISTRICT BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2015

		General	School Lunch	_	Special Aid	_	Debt Service		Capital Projects		Total
Assets											
Cash and cash equivalents	_	. =00 .0=	0.1.160.045	•	011.000	_		•	125 250	•	C 202 022
Unrestricted	\$	4,793,197	\$ 1,162,345	\$	211,032	\$	211 200	\$	137,359	2	6,303,933
Restricted		16,434,864					311,380		101,067		16,847,311
Receivables		2 007 715	25.027		120 (01						4 102 442
Other governments		3,027,715	35,037	1	,120,691		7 161				4,183,443 4,738,562
Due from other funds		4,731,098	420				7,464				83,998
Other receivables		83,568	430								37,849
Inventory		60.000	37,849								60,000
Other assets	_	60,000	£ 1.225.661	_	221 722	_	210 044	_	229.426	_	
Total Assets	2	29.130.442	<u>\$ 1,235,661</u>	<u>7 1</u>	1,331,723	<u>\$_</u>	318,844	<u>\$_</u>	238.426	<u>\$</u>	32,255.096
Liabilities											
Payables											
Accounts payable	\$	2,263,168	\$ 345	\$	21,347	\$		\$		\$	2,284,860
Accrued liabilities		75,896	1,679		5,931						83,506
Due to											
Other governments			114		11,156						11,270
Other funds		677	1,149,634	1	1,293,289		4,138		7,464		2,455,202
Teacher's retirement system		5,229,125									5,229,125
Employees' retirement system		252,492									252,492
Collections in advance		38,700	18,395	_		_	<del></del>	_			57,095
Total Liabilities		7,860,058	1,170,167	!	1,331,723	_	4,138	_	7,464		10,373,550
Fund Balances											
Non-spendable		60,000	37,849								97,849
Restricted:											
Workers' compensation		2,407,107									2,407,107
Unemployment insurance		602,600									602,600
Employee benefit accrued liability		4,425,284									4,425,284
Retirement contributions		8,118,957									8,118,957
Property loss and liability		53,263									53,263
Insurance		53,263									53,263
Capital		774,390									774,390
Debt service-principal and interest							314,706				314,706
Capital project - unspent bond proceed	S								101,067		101,067
Assigned:											
Appropriated fund balance		1,465,650									1,465,650
Unappropriated fund balance		167,391	27,645						129,895		324,931
Unassigned		3,142,479				_		_			3,142,479
Total Fund Balances		21,270,384	65,494			_	314,706		230,962		21,881,546
Total Liabilities and Fund Balances	<u>\$</u>	29.130.442	<u>\$ 1,235,661</u>	<u>\$</u>	1.331.723	\$	318,844	<u>\$</u>	238.426	<u>\$</u>	32,255.096

# ROCKY POINT UNION FREE SCHOOL DISTRICT RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION **JUNE 30, 2015**

S 21,881,546 Total governmental fund balances 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. \$ 79,410,135 Original cost of capital assets (31,338,106)48,072,029 Accumulated depreciation Certain disbursements previously expended in the governmental funds related to pensions are treated as long term assets and increase net position. The net pension asset - proportionate share at year end for TRS was: 21,408,959 Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods 5,513,539 amounted to: Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities consisted of: (47,560)Accrued interest payable Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of: \$ (15,060,000)Bonds payable Net obligation of other postemployment benefits (30,003,241)(702,009)Workers' compensation liability Compensated absences liability (5,159,735)(720,832)(51,645,817)Net pension liability - proportionate share (ERS) Deferred inflows of resources - The Statement of Net Position recognizes revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified (14,735,985)accrual method. Deferred inflows related to pensions that will be recognized as a reduction in pension expense in future periods amounted to Deferred inflows of resources - gain on defeasance on the advance refunding. The Statement of Net Position will amortize the gain on the defeasance on the advance refunding over the life of the bond. Governmental funds recorded the gain on defeasance on the advance refunding as a revenue in (432,502)the year of refunding. 30,014,209

Total net position

# ROCKY POINT UNION FREE SCHOOL DISTRICT STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General		School Lunch	Special Aid		Debt Service	Capita Projec		Total
Revenues									
Real property taxes	\$ 40,868,13	39 \$		\$	\$		\$		\$ 40,868,139
Other tax items including STAR reimbursement	6,060,92	20							6,060,920
Charges for services	260,46	68							260,468
Use of money and property	41,05	52	1,393			1,218			43,663
Sale of property and compensation for loss	22,09	94							22,094
Miscellaneous	602,50	50	769	210					603,539
State sources	26,837,46	51	18,723	718,760					27,574,944
Medicaid reimbursement	47,98	32							47,982
Federal sources			448,612	1,172,590					1,621,202
School lunch sales	_		666,447						 666,447
Total Revenues	74,740,6	76	1,135,944	1,891,560		1,218			 77,769,398
Expenditures									
General support	7,473,78	88							7,473,788
Instruction	42,526,86	58		1,789,983					44,316,851
Pupil transportation	4,615,13	82		224,762					4,839,944
Food service program			1,051,457						1,051,457
Employee benefits	16,684,30	08	147,590						16,831,898
Debt service - principal						2,405,000			2,405,000
Debt service - interest	43,69	94				761,88 <u>1</u>			 805,575
Total Expenditures	71,343,84	40	1,199,047	2,014,745		3,166,881			 77,724,513
Excess (Deficit) Revenues Over Expenditures	3,396,83	<u> 36</u>	(63,103)	(123,185)	_	(3,165,663)		<del></del>	 44,885
Other Financing Sources (Uses)									
Premium on obligations	30,8	55							30,855
Transfers from other funds				123,185		3,166,881			3,290,066
Transfers to other funds	(3,290,0	<u>66)</u> _			_				(3,290,066)
Total Other Financing Sources (Uses)	(3,259,2	<u>11)</u> _		123,185	_	3,166,881			 30,855
Excess (Deficit) Revenues Over Expenditures an	d								
Other Financing Sources (Uses)	137,6	25	(63,103)			1,218			75,740
Fund Balances, Beginning of Year	21,132,7	<u>59</u> _	128,597			313,488	23	0,962	 21,805,806
Fund Balances, End of Year	\$ 21,270,3	84 \$	65,494	\$	\$	314,706	<u>\$ 23</u>	0,962	\$ 21,881,546

# ROCKY POINT UNION FREE SCHOOL DISTRICT RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change in fund balances	\$	75,740					
Amounts reported for governmental activities in the Statements of Activities are different because:							
Long-term revenue and expense differences  Claims payable in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Claims payable for the year ended June 30, 2015 changed by							
In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the year ended June 30, 2015 changed by							
Net other post-employment benefits obligation payable in the Statement of Activities differs from the amount reported in the government funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Net other post-employment benefit obligation payable for the year ended June 30, 2015 changed by							
Interest on long-term debt in the Statement of Activites differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2014 to June 30, 2015 changed by  Increases/decreases in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources							
and therefore are not reported as revenues or expenditures in the governmental funds.							
Teachers' retirement system \$ 5,902,296 Employees' retirement system 420,720		6,323,016					
Capital related differences  Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.							
Depreciation expense \$ (1,691,644) Capital outlays 169,674		(1,521,970)					
Long-term debt differences  Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		2,405,000					
The Statement of Activities recognizes expenses over the life of the bond. Governmental funds recognized the defeasance gain on the advance bond refunding in the year the bonds were advanced refunded. The amount of amortization on the defeasance gain for the year ended June 30, 2015 was		72,083					
Change in net position	<u>\$</u>	3.838.522					

# ROCKY POINT UNION FREE SCHOOL DISTRICT STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS JUNE 30, 2015

	Agency	Private Purpose Trusts
Assets		
Cash - restricted	\$ 2,469,789	9 \$ 33,454
Due from other funds	23°	7 4,385
Total Assets	<u>\$ 2,470,020</u>	5 37,839
Liabilities		
Accrued liabilities	\$ 49,24	)
Due to other funds	2,287,98	2
Agency liabilities	60,45	)
Extraclassroom activity balances	72,35	<u>4</u>
Total Liabilities	<u>\$ 2,470,02</u>	<u> </u>
Net Position		
Restricted for scholarships		37,839
Total Net Position		37,839
Total Liabilities and Net Position		\$ 37,839

# ROCKY POINT UNION FREE SCHOOL DISTRICT STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private Purpose Trusts			
Additions				
Investment income	\$ 78			
Gifts and contributions	5,744			
Total Additions	5,822			
Deductions				
Scholarships and awards	9,300			
Change in net position	(3,478)			
Net position, beginning of year	41,317			
Net position, end of year	<u>\$ 37,839</u>			

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Rocky Point Union Free School District (The 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.

Certain 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. 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. The Board has authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity is based on criteria set forth by GASB Statement No. 14, The Financial Reporting Entity as Amended by GASB Statement 39, Component Units and GASB Statement No. 61 The Financial Reporting Entity: Omnibus. 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, there are no other entities which would be included in the District's reporting entity.

#### Extraclassroom activity funds:

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of 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 one of 51 component school districts in the Board of Cooperative Educational Services of Eastern Suffolk, (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. There is no authority or process by which a school district can terminate its status as a BOCES component.

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 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:

#### i) District-wide financial statements:

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through real property taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while 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 clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants, contributions, and other revenues that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

# ii) Fund Financial Statements:

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

The District reports the following governmental funds:

#### Governmental Funds:

<u>General Fund</u> – This fund is the District's primary operating fund used to account for and report all financial resources not accounted for in another fund.

<u>Special Aid Fund</u> – This fund accounts for and reports the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes.

<u>School Lunch Fund</u> – This fund is used to account for and report transactions of the District's lunch and breakfast programs.

<u>Debt Service Fund</u> – accounts for the accumulation of resources and that are restricted to expenditure for principal and interest on long-term general obligation debt of governmental activities. Debt service funds should be used to report resources if legally mandated.

<u>Capital Projects Fund</u> – is used to account for and report financial resources that are restricted or assigned to expenditure for capital outlays, including the acquisition, construction capital facilities and other capital assets.

The District reports the following fiduciary funds:

<u>Fiduciary Funds</u> – are used to account for and report activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

<u>Private Purpose Trust Funds</u> - These funds are used to account for and report 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.

<u>Agency Funds</u> - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

#### D) Basis of accounting and measurement focus:

The District-wide and Fiduciary Fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, 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 grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. 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, other postemployment benefit obligations, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

# E) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other postemployment benefits, workers' compensation claims, net pension asset/liability, potential contingent liabilities and useful lives of capital assets.

#### F) Cash and cash equivalents:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

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

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

#### G) Real property taxes:

#### i) Calendar:

Real property taxes are levied annually by the Board of Education no later than November 1<sup>st</sup> and become a lien on December 1. Taxes were collected by the Town of Brookhaven along with the respective Town and Suffolk county levies. Tax collections are remitted to the District and Town Comptrollers until their respective tax levies are satisfied in accordance with the Suffolk County Tax Act.

#### ii) Enforcement:

Uncollected real property taxes are subsequently enforced by the County of Suffolk in June. An amount representing uncollected real property taxes transmitted to the County for enforcement are paid by the County to the District.

# H) Receivables:

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

#### I) Interfund transactions:

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

In the district-wide 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, expenditures and revenues activity is provided subsequently in these Notes to Financial Statements.

#### J) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. A reserve for inventory has been recognized to indicate that this does not constitute available spendable resources.

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

A reserve for these non-liquid assets (inventories) has been recognized in the school lunch fund as non-spendable under GASB Statement No. 54 to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

# K) 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:

	Cap	italization	Estimated
	T	nreshold	<u>Useful Life</u>
Building and Improvements	\$	1,000	20-50 Years
Improvements Other Than Buildings	\$	1,000	20-50 Years
Vehicles, Furniture, and Equipment	\$	1,000	5-20 Years

#### L) Deferred outflow of resources:

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

#### M) Deferred inflow of resources:

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First, is the deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience and projected and actual earnings on pension plan investments, and changes in proportion (TRS System).

#### 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. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance removed and revenues are recognized.

In the fund level statements, collections in advance consist of amounts received in advance in the general fund for community education and drivers' education. Collections in advance in the school lunch fund consist of amounts received in advance for meals that have not yet been purchased.

# O) Vested 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 be eligible to receive a portion of the value of unused accumulated sick leave. Certain collectively bargained agreements require these terminated payments to be paid in the form of a non-elective contribution into the 403(b) plan.

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.

Consistent with GASB Statement No. 16, Accounting for Compensated Absences, the liability has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the terms of the collective bargaining agreements and individual employment contracts in effect at year end.

In the fund financial statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

#### P) Other benefits:

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

District employees may choose to participate in the District's elective deferred compensation plan established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements 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 postemployment benefits is shared between the District and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting (see Note 14).

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

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The District has not issued or retired BANs in the fiscal year ended June 30, 2015.

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

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

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

#### S) Equity classifications:

# i) District-wide financial statements

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

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets (net of any unexpended proceeds) and including any unamortized items (deferred amounts on refunding).

Restricted net position – 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 net position – reports the balance of the net position that do not meet the definition of the above classifications and are deemed to be available for general use by the District.

#### ii) Fund financial statements:

The following classifications describe the relative strength of the spending constraints:

#### Non-Spendable Fund Balance:

Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund and prepaid items recorded in the General Fund.

#### Restricted Fund Balance:

Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling

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

Currently, New York State law uses the terminology "reserves" and Districts are only allowed to use reserves authorized by law. The District has classified the following reserves as restricted:

The District has established the following restricted fund balances:

- Workers' Compensation Reserve This reserve is used to accumulate funds for the purpose of paying for compensation benefits and other expenditures authorized under Article 2 of the New York State Workers' Compensation Law, and for payment of expenditures of administering this self-insurance program. Within 60 days after the end of any fiscal year, excess reserve amounts may be either transferred to another reserve or applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.
- Unemployment Insurance Reserve According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund.
- Employee Benefit Accrued Liability Reserve According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund under restricted fund balance.
- Retirement Contribution Reserve According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the general fund under restricted fund balance.
- Property Loss Reserve and Liability Reserve Property loss reserve and liability reserve (Education Law §1709(8) (c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund.
- Insurance Reserve Insurance reserve (GML §6-n) 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 of 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 under restricted fund balance.
- Capital Reserve The capital reserve fund 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 people at any special or annual meeting. Such authorization is further required for payments from the capital reserve. The form of 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 Section 3651 of Education Law. This reserve is accounted for in the general fund.
- Debt Service Used to account for the accumulation of resources and that are restricted to pay debt service. The fund
  includes all unused debt proceeds and interest and earnings on temporary investment of debt proceeds. This reserve is
  accounted for in the debt service fund.

- Unspent bond proceeds Unspent long-term bonds are recorded as restricted fund balance because they are subject to
  external constraints contained in the debt agreement. These restricted funds are accounted for in the capital project
  fund.
- Scholarships Amounts restricted for scholarships are used to account for monies donated for scholarship purposes net of earnings and awards. These restricted funds are accounted for in the private purpose trust fund.

#### **Unrestricted Resources**

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School District has provided otherwise in its commitment or assignment actions.

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority; i.e. the Board of Education. The District has no committed fund balances as of June 30, 2015.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Education or (b) a body (budget or finance committee, for example) or official to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. All encumbrances in all funds are classified as assigned fund balance, and the amount appropriated for the subsequent year's budget of the general fund are also classified as assigned fund balance in the respective fund.

**Unassigned** - Includes all other fund net assets that do not meet the definition of the above classifications and are deemed to be available for general use by the District. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

#### Order of Use of Fund Balance

In circumstances where an expenditure is incurred for the purpose for which amounts are available in multiple fund balance classifications, (e.g. expenditures related to reserves) the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which the fund balance classification will be charged.

#### Fund Balance Limitations

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

#### T) New accounting standards

The District has adopted the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2015:

Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date

# U) Future Changes in Accounting Standards

GASB has issued Statement No. 72, Fair Value Measurement and Application effective for the year ending June 30, 2016. GASB has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for the year ending June 30, 2018. This statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

GASB has issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the year ending June 30, 2016.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

#### V) Change in accounting principles

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – Amendments to GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of the Statements requires the District to report as an asset and/or liability, its portion of the collective net pension asset and liability in the New York State Teachers' and Employees' Retirement Systems. The implementation of the statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow is the District contributions to the pension systems subsequent to the measurement date. See Note 12 for the financial statement impact of implementation of the Statements.

# 2. <u>EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS</u>

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 management focus of the Statement of Activities, compared with the current financial resource management focus of the governmental funds.

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

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

# 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 one of four broad categories.

#### i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

# ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets 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.

#### iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

#### iv) Employee benefit allocations:

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

#### 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.

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 lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations were approved by the Board of Education during the year ended June 30, 2015 to include \$13,752 for additional gifts and donations received by the District and \$15,000 from sale of property and compensation of loss.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

#### B) Encumbrances:

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

# 4. CUSTODIAL AND CONCENTRATION OF CREDIT RISK

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's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- A. Uncollateralized,
- B. Collateralized 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.

None of the District's aggregate bank balances not covered by depository insurance were exposed to custodial credit risk as described above.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2015 included \$16,847,311 within the governmental funds and \$2,503,243 within the fiduciary funds.

The District did not have any investments at year end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

#### 5. PARTICIPATION IN BOCES

During the year ended June 30, 2015, the District was billed \$7,859,399 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,759,003. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

# 6. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2015, consisted of:

General Fund	
New York State - general aid and excess cost aid	\$ 2,115,229
BOCES aid	912,486
	3,027,715
Special Aid Fund	
Federal and state grants	1,120,691
School Lunch Fund	
Federal and state school lunch reimbursements	35,037
Total	\$ <u>4,183,443</u>

District management has deemed the amounts to be fully collectible.

# 7. CAPITAL ASSETS

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

	Beginnning		Retirements/	Ending
	Balance	<u>Additions</u>	Reclassifications	Balance
Capital Assets Not Being Depreciated				
Land	\$ 732,205	\$ 5,099	\$	\$ 737,304
Construction in progress	1,600			1,600
Total	733,805	5,099		738,904
Capital Assets Being Depreciated				
Buildings and improvements	74,080,713			74,080,713
Improvements other than buildings	1,219,243			1,219,243
Furniture, equipment and vehicles	3,273,871	<u>164,575</u>	67,171	3,371,275
Total assets being depreciated	<u>78,573,827</u>	164,575	67,171	78,671,231
Accumulated depreciation				
Buildings and improvements	26,218,489	1,520,279		27,738,768
Improvements other than buildings	916,362	36,721		953,083
Furniture, equipment and vehicles	2,578,782	134,644	67,171	2,646,255
Total accumulated depreciation	29,713,633	1,691,644	67,171	31,338,106
Net Capital Assets Being Depreciated	48,860,194	(1,527,069)		47,333,125
Net Capital Assets	<u>\$ 49,593,999</u>	<b>\$</b> (1,521,970)	<u>\$</u>	<u>\$ 48,072,029</u>

Depreciation was allocated to governmental functions as follows:

Function/Program	
General support	\$ 211,456
Instruction	1,471,730
Food service	 8,458
Total Depreciation	\$ 1,691,644

# 8. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2015, are as follows:

		Interfund			Interfund			
Fund	R	Receivables		Payables	Revenues	Expenditures		
General	\$	4,731,098	\$	677	\$	\$ 3,290,066		
School lunch				1,149,634				
Special aid				1,293,289	123,185			
Debt service		7,464		4,138	3,166,881			
Capital projects				7,464				
Private purpose trust		4,385						
Trust and agency		237		2,287,982				
Total	<u>\$</u>	<u>4,743,184</u>	\$	<u>4,743,184</u>	<u>\$ 3,290,066</u>	<u>\$ 3,290,066</u>		

- The District made a transfer of \$123,185 from the general fund to the special aid fund to cover the District's portion of the summer handicapped program and State supported Section 4201 schools.
- The District made a transfer of \$3,166,881 from the general fund to debt service fund for required annual debt service expenditures.
- Interfund receivables and payables are considered short-term and are typically liquidated within one year.

#### 9. SHORT TERM DEBT

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

		Interest	Balance				Balance
	<b>Maturity</b>	_Rate_	June 30, 2014	 Issued	I	Redeemed	June 30, 2015
TAN	06/25/15	1.00%	\$	\$ 5,500,000	\$	5,500,000	\$

The District recognized interest expense on short-term debt for the year of \$43,694. The District also received a premium on obligations from the TAN of \$30,855 which was recorded as other financing sources in the general fund.

# 10. LONG-TERM LIABILITIES

\*as restated

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

	Beginning			Ending	Ι	Due Within
Description	 Balance	Additions	_Deletions_	Balance		One Year
Bonds Payable						
Serial bonds	\$ 17,465,000	\$	\$2,405,000	\$15,060,000	\$	2,460,000
Other Liabilities						
Net obligation of other						
postemployment benfits	26,329,833	6,008,022	2,334,614	30,003,241		
Workers' compensation liability	955,759	268,582	522,332	702,009		
Compensated absences payable	5,056,584	103,151		5,159,735		200,000
Net pension liability - proportionate share*	 964,210	868,961	1,112,339	<u>720,832</u>		
Total Long Term Liabilities	\$ 50,771,386	<u>\$ 7,248,716</u>	<u>\$6,374,285</u>	<u>\$51,645,817</u>	<u>\$</u>	2,660,000

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

# A) Bonds payable:

Bonds payable is comprised of the following:

	Issue	Final	Interest	Outstanding at
Description	Date	Maturity	Rate (%)	June 30, 2015
Serial bonds	2008	2019	3.00-5.00%	\$ 1,465,000
Serial bonds	2009	2024	3.125-4.00%	4,985,000
Serial bonds	2010	2021	2.00-5.00%	8,610,000
Total				\$ 15,060,000

The following is a summary of debt service requirements:

# Fiscal Year Ending

 June 30,	Principal_	Interest	Total
2016	\$ 2,460,000	\$ 664,744	\$ 3,124,744
2017	2,460,000	565,531	3,025,531
2018	2,505,000	453,581	2,958,581
2019	2,565,000	339,706	2,904,706
2020	2,225,000	222,363	2,447,363
2021 -2024	2,845,000	267,650	3,112,650
Total	\$15,060,000	<u>\$2,513,575</u>	<u>\$17,573,575</u>

#### B) Long-term debt:

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

Interest paid	\$	761,881
Less: interest accrued in the prior year		(55,022)
Less: amortization of deferred amounts from refunding		(72,083)
Plus: interest accrued in the current year		47,560
Total Interest Expense on Long-Term Debt	<u>\$</u>	682,336

# 11. DEFERRED AMOUNTS FROM REFUNDING OF DEBT

In prior years, the District defeased certain general obligations with the proceeds of new bonds. The difference of \$865,000 between the reaquisition price of the new bonds and the net carrying amount of the old bonds has been reported as a deferred inflow of resources on the Statement of Net Position and is being amortized on the District—wide financial statements using the straight—line method over 12 years, the time to maturity of the refunded bonds at the point of refunding. The current—year amortization is \$72,083 and is included as a reduction to interest expense on the government-wide financial statements. The balance of the deferred amounts from the refunding of debt, net of amortization recorded on the Statement of Net Position is as follows:

Deferred amounts from refunding of debt	\$ 865,000
Less: accumulated amortization	(432,498)
Deferred amounts from refunding of debt, net of amortization	<u>\$ 432,502</u>

# 12. PENSION PLANS

# A. New York State and Local Employees' Retirement System (ERS)

#### (a) Plan description

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

#### (b) Contributions

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010 are required to contribute 3% of their annual salary for their entire working career. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2015, were paid. The required contributions for the current year and two preceding years were:

	 Amount	
2015	\$ 1,122,440	
2014	\$ 1,100,450	
2013	\$ 970,753	

# (c) Pension assets, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2015, the District reported a liability of \$720,832 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2015, the District's proportion was .0213375 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$666,026. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	
Differences between expected and actual experience	\$	23,075
Change of Assumptions		
Net difference between projected and actual earnings on		
Pensions plan investments		125,199
Changes in proportion and differences between contributions		
and proportionate share of contributions		54,661
Contributions subsequent to the measurement date	-	252,492
Total	<u>\$</u>	455,427

Amounts reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 50,734
2017	\$ 50,734
2018	\$ 50,734
2019	\$ 50,734

#### (d) Actuarial assumptions

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

Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Interest Rate	7.5%
Salary scale	4.90%
Decrement tables	April 1, 2005 - March 31, 2010
	System's Experience
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2005 - March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

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 equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38.0%	7.30%
International equity	13.0%	8.55%
Private equity	10.0%	11.00%
Real estate	8.0%	8.25%
Absolute return strategies	3.0%	6.75%
Opportunistic portfolio	3.0%	8.60%
Real assets	3.0%	8.65%
Bonds and mortgages	18.0%	4.00%
Cash	2.0%	2.25%
Inflation-indexed bonds	2.0%	4.00%

#### (e) Discount rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### (f) Sensitivity of the proportionate share of the net pension liability to the discount rate assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1%	Current	1%
	Decrease	Assumption	Increase
	<u>(6.5%)</u>	<u>(7.5%)</u>	<u>(8.5%)</u>
Proportionate share of the net pension (liability) asset	\$(4.804.656)	\$ (720,832)	\$ 2,726,928

#### (g) Pension plan fiduciary net position

The components of the current-year net pension liability (expressed in thousands) of the employers as of the April 1, 2014 valuation date is as follows:

Employers' total pension (liability)	\$ (164,591,504)
Plan fiduciary Net Position	<u>161,213,259</u>
Employers' net pension (liability)	<u>\$ (3,378,245)</u>

Ratio of plan fiduciary net position to the Employers' total pension liability 97.95%

#### (h) Payables to the pension plan

The employer contributions for the fiscal year ended June 30, 2015 are paid annually to the System based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2015 represent the projected employer contribution for the period April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to \$252,492.

#### B. New York State Teachers' Retirement System (TRS)

#### (a) Plan description

The District participates in the New York Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by the New York State Law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and membership class (6 tiers). TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System. For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at www.nystrs.org.

#### (b) Contributions

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3

and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity. The required employer contributions for the current year and two preceding years were:

		Amount		
2015	\$	5,058,112		
2014	\$	4,613,327		
2013	\$	3.202,382		

#### (c) Pension assets, liabilities, pension expense, and deferred outflows/inflows of related to pensions

At June 30, 2015, the District reported an asset of \$21,408,959 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2014, the District's proportion was .0192192 percent, which was an increase of .007542 percent from its proportion measured as June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense (credit) of \$(844,169). At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 313,067
Change of Assumptions		
Net difference between projected and actual earnings on		
Pensions plan investments		14,378,443
Changes in proportion and differences between contributions		
and proportionate share of contributions		44,475
Contributions subsequent to the measurement date	5,058,112	
Total	<u>\$ 5,058,112</u>	<u>\$ 14,735,985</u>

Amounts reported as deferred outflows/inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the plan year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2015	\$ (3,636,185)
2016	\$ (3,636,185)
2017	\$ (3,636,185)
2018	\$ (3,636,185)
2019	\$ (41,575)
Thereafter	\$ (149,669)

#### (d) Actuarial assumptions

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

Measurement date	June 30, 2014
Actuarial valuation date	June 30, 2013
Interest Rate	8.0%
Salary scale	4.01% - 10.91%
Decrement tables	July 1, 2005 - June 30, 2010
	System's Experience
Inflation rate	3.0%

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale AA.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

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.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the valuation date of June 30, 2013 are summarized in the following table:

		Long-Term
	Target	Expected Real
Asset Class	Allocation	Rate of Return
Domestic equity	37.0%	7.3%
International equity	18.0%	8.5%
Real estate	10.0%	5.0%
Alternative investments	7.0%	11.0%
Domestic fixed income securities	18.0%	1.5%
Global fixed income securities	2.0%	1.4%
Mortagages	8.0%	3.4%
Short-term	0.0%	0.8%

#### (e) Discount rate

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary 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.

#### (f) Sensitivity of the proportionate share of the net pension liability to the discount rate assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the Districts' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	1%	Current	1%
	Decrease	Assumption	Increase
	<u>(7.0%)</u>	<u>(8.0%)</u>	<u>(9.0%)</u>
Proportionate share of the net pension (liability) asset	\$ 461,821	\$ 21,408,959	\$ 39,258,830

#### (g) Pension Plan Fiduciary Net Position

The components of the current-year net pension asset (expressed in thousands) of the employers as of the June 30, 2013 valuation date is as follows:

Employers' total pension (liability)	\$(97,015,706)
Plan fiduciary net position	108,155,083
Employers' net pension asset	<u>\$ 11,139,377</u>

Ratio of plan fiduciary net position to the

Employers' total pension asset 111.48%

#### (h) Payables to the Pension Plan

The employer contributions for the fiscal year ended June 30, 2015 are paid annually to the System in September, October and November through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2015 represent the projected employer contribution for the fiscal year June 30, 2015 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2015 amounted to \$5,229,125.

#### C. Tax shelter annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2015, totaled \$16,500 and \$140,625 respectively.

#### D. Deferred compensation plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2015 totaled \$124,352.

#### 13. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, and liability related to the District's participation in the New York State Teachers' and Employees' retirement systems. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	\$21,033,022
GASB Statement No. 68 implementation	
Beginning System asset - Teachers' Retirement System	1,215,462
Beginning System liability - Employees' Retirement System	(964,210)
Beginning deferred outflow of resources for contributions	
subsequent to the measurement date	
Teachers' Retirement System	4,613,328
Employees' Retirement System	278,085
Prior period adjustment	5,142,665
Net position beginning of year, as restated	<u>\$26,175,687</u>

#### 14. OTHER POSTEMPLOYMENT BENEFITS

#### A) Plan descriptions:

The District provides medical, prescription drug and dental insurances to retirees and their covered dependents. The District contributes between 85% and 100% of the cost of the insurance for retirees and their covered dependents. Currently there are

approximately 653 current and former employees participating in the District's Other Post Employment Benefits (OPEB) plan. The benefits provided to employees upon retirement are based upon provisions in various contracts that the District has in place with different classifications of employees. All active employees who retire directly from the District and meet eligibility criteria will participate.

The Plan does not issue a standalone publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

#### B) Funding policy:

For the District's OPEB Plan, contribution requirements of the plan members and the District are established by the Board of Education. The District's annual OPEB cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis.

#### C) Annual required contribution:

		ne 30, 2015
Normal cost	\$	2,861,233
Amortization of unfunded actuarial liability		2,816,470
Annual required contribution (ARC)	<u>\$</u>	5,677,703

#### D) Reconciliation of net OPEB obligation:

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

	For the Year Ended
	June 30, 2015
Annual required contribution	\$ 5,677,703
Interest on net OPEB obligation	1,316,492
Adjustment to ARC	(986,173)
Annual net OPEB cost (expense)	6,008,022
Contributions made	(2,334,614)
Change in net OPEB obligation	3,673,408
Net OPEB obligation at the beginning of the year	<u> 26,329,833</u>
Net OPEB obligation at the end of the year	<u>\$ 30,003,241</u>
Percentage of expense contributed	38.9%

#### E) Trend information:

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2015 and the two preceding years, was as follows:

Fiscal Year Ending Ending	1	Annual Net OPEB Cost	PEB Expense	% of Expense Contributed	Net OPEB Obligation
June 30, 2015	- <del>-</del>	6,008,022	\$ 2,334,614	38.9%	\$ 30,003,241
June 30, 2014	\$	6,643,302	\$ 2,307,702	34.7%	\$ 26,329,833
June 30, 2013	\$	6.234.132	\$ 2.208.191	35.4%	\$ 21,994,233

#### F) Funded status:

	For the Year Ended
	June 30, 2015
Actuarial accrued liability (AAL) at July 1, 2014	\$ 75,196,914
Actuarial value of plan assets	<del></del>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 75,196,914</u>
Covered payroll	\$ 32,853,137
UAAL as a percentage of covered payroll	228.9%

#### G) Actuarial methods and assumptions:

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. For this reason, the results in this report should be viewed as estimates. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and Plan members in the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Amortization period	Single Amortization Period
Amortization period (years) remaining	23
Amortization discount	5.0%
Projected salary increase	4.0%
Health care inflation rate	4.70% Initial; 3.84% Ultimate
Fiscal year that rate reaches ultimate trend rate	2075
Method used to determine actuarial value of assets	N/A

#### 15. RISK MANAGEMENT

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 parties. Settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

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 include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	 2015	 <u> 2014                                     </u>
Unpaid claims at beginning of year	\$ 955,759	\$ 756,889
Incurred claims and claim adjustment		
expenses	268,582	536,145
Claim payments	 (522,332)	 (337,275)
Unpaid Claims at Year End	\$ 702,009	\$ 955,759

#### 16. FUND BALANCES

The following is a summary of the change in general fund restricted fund balances during the year ended June 30, 2015:

Reserve	_	Balance at 7/1/2014		Additions	 mounts		Balance at 5/30/2015
Workers' compensation	\$	846,659	\$	1,635,448	\$ 75,000	\$	2,407,107
Unemployment insurance		614,529		13,071	25,000		602,600
Employee benefit accrued liability		4,579,328		45,956	200,000		4,425,284
Retirement contribution		8,787,429		14,723	683,195		8,118,957
Property loss and liability		53,166		97			53,263
Insurance		53,166		97			53,263
Capital		772,986		1,404			774,390
Total	\$	15,707,263	<u>\$</u>	1,710,796	\$ 983,195	<u>\$</u>	16,434,864

#### 17. FUND BALANCES – ASSIGNED:

#### A) **Assigned: Appropriated**

The amount of \$1,465,650 has been designated as the amount estimated to be appropriated to reduce taxes for the fiscal year ending June 30, 2016 in the general fund.

#### Assigned: Encumbered B)

All encumbrances are classified as assigned fund balance. At June 30, 2015, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance

General Fund

General Support	\$ 114,684
Instruction	51,865
Pupil Transportation	 842
•	\$ 167,391

#### 18. COMMITMENTS AND CONTINGENCIES

#### **Grants:**

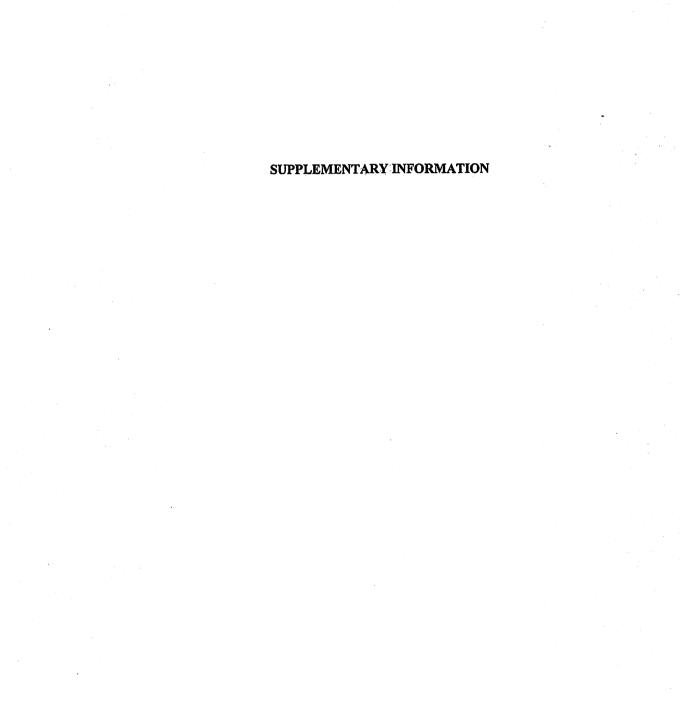
The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the District's administration believes disallowances, if any, will be immaterial.

#### **Litigation:**

The District is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

#### 19. SUBSEQUENT EVENTS

On September 9, 2015, the District issued \$5,000,000 in tax anticipation notes bearing interest rates of 1.5%. The notes mature on June 27, 2016.



## ROCKY POINT UNION FREE SCHOOL DISTRICT SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Revenues		Original Budget		Final Budget		Actual		_	Final Budget Variance With Actual
Local sources									
Real property taxes	\$	46,928,960	s	46,928,960	\$	40,868,139		\$	(6,060,821)
Other tax items - including STAR	v v	10,720,700	•	.0,,,,,,,,	•	6,060,920			6,060,920
Charges for services		173,000		173,000		260,468			87,468
Use of money and property		35,500		35,500		41,052			5,552
Sale of property and compensation for loss		20,000		15,000		22,094			7,094
Miscellaneous		103,300		117,052		602,560			485,508
State sources		26,062,087		26,062,087		26,837,461			775,374
Federal sources		,,		,,		47,982			47,982
Total Revenues		73,302,847		73,331,599		74,740,676			1,409,077
Other Financing Sources									
Premium on Obligations						30,855			30,855
Appropriated fund balance and reserves		3,871,039		3,871,039					(3,871,039)
Total Revenues and Other Financing Sources	\$	77.173.886	\$_	77.202.638	\$	74,771,531		\$	(2.431.107)
		Original Budget		Final Budget		Actual	Year-End Encumbrances	_	Final Budget Variance With Actual And Encumbrances
Expenditures									
General support									£ 700
Board of education	\$	30,060	\$	30,443	\$	24,347		3	5,700
Central administration		341,687		378,152		358,400	49		19,703
Finance		781,897		1,213,624		1,110,563	428		102,633
Staff		640,087		526,995		509,058	284		17,653
Central services		5,370,474		5,037,162		4,699,714	113,527		223,921
Special items		<u>869,725</u>		809,725	_	771,706	114 (04	_	38,019 407,629
Total General Support	_	8,033,930	_	7,996,101	_	7,473,788	114,684	_	407,023
Instruction						0.045.501	4 102		32,192
Instruction, administration, and improvement		2,645,888		2,881,876		2,845,581	4,103 41,716		607,746
Teaching - regular school		21,554,686		20,801,219		20,151,757	193		87,091
Programs for children with special neds		13,708,804		13,924,769		13,837,485	256		186,578
Occupational education		1,025,729		1,025,729		838,895	230		14,718
Teaching - special school		717,543		729,723		715,005 725,979	3,006		261,271
Instructional media		992,212		990,256		3,412,166	2,591		99,199
Pupil services Total Instruction		3,273,445 43,918,307	_	3,513,956 43,867,528	_	42,526,868	51,865	_	1,288,795
					_		842		46,895
Pupil transportation		4,726,909		4,662,919		4,615,182	042		451,716
Employee benefits		16,962,859		17,136,024		16,684,308 43,694			206,306
Debt service - interest and related financing expenses Total Expenditures		250,000 73,892,005	_	250,000 73,912,572		71,343,840	167,391	-	2,401,341
Other Financing Uses									
Transfers to other funds		3,281,881	_	3,290,066		3,290,066			0.401.044
Total Expenditures and Other Financing Uses	\$_	<u>77.173.886</u>	\$	77.202.638	_	74.633.906	<u>\$ 167.391</u>	<u>\$</u>	2.401.341
Net change in fund balance						137,625			
Fund balance - beginning of year					_	21,132,759			
Fund balance - end of year					\$	21,270,384			

#### Notes to Required Supplementary Information

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.

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

#### ROCKY POINT UNION FREE SCHOOL DISTRICT SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued bility-Projected Unit Credit (b)	 Unfunded tuarial Accrued ability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	_Cc	overed Payroll (c)	UAAL as % of Covered Payroll [(b)-(a)]/(c)
July 1, 2014	\$	\$ 75,196,914	\$ 75,196,914	0%	\$	32,853,137	228.9%
July 1, 2013	\$	\$ 79,206,131	\$ 79,206,131	0%	\$	34,555,628	229.2%
July 1, 2012	\$	\$ 74,363,647	\$ 74,363,647	0%	\$	32,989,995	225.4%

# ROCKY POINT UNION FREE SCHOOL DISTRICT SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR THE FISCAL YEARS ENDED JUNE 30,

ERS Pension Plan Last 10 Fiscal Years

						SE S	Last 10 fiscal rears	rears									
		2015	2014	201	013	70	2012	×	2011	2010	0	2009		2008	2007		2006
Contractually Required Contribution	∞	1,086,747 \$	1,103,423	\$	09,429		778,468	<b>₩</b>	8 981,779		420,588 \$	371,697	7 \$	428,776	\$ 498	498,190 \$	445,831
Contributions in Relation to the Contractually Required Contribution		1,086,747	1,103,423	Ī	009,429		778,468		677,186	4	420.588	371,697		428,776	498	498,190	445,831
Contribution Deficiency (Excess)	S	\$		<b>~</b>		\$		<b>∞</b>	\$		<b>∽</b> l		<u>ح</u>		S	ا <sub>م</sub>	
School District's Covered-ERS Employee Payroll	₩.	\$ 085,090,9	5,896,138 \$		5,704,899	<b>\$</b> \$(	5,621,245	8 <del>.</del> 2,	5,698,163 \$		5,643,202 \$	5,472,222	2	5,266,584	\$ 5,050,710	,710 \$	4,722,689
Contributions as a Percentage of Covered-Employee Payroll		17.93%	18.71%		17.69%		13.85%		11.88%		7.45%	6.79%	%	8.14%	6	%98.6	9.44%
						Ti	TRS Pension Plan Last 10 Fiscal Years	ı Plan   Years									
		2015	2014	7	2013	20	2012	Ä	2011	2010	01	2009		2008	2007		2006
Contractually Required Contribution	↔	5,058,112 \$	4,613,327	\$	382	\$ 2,	2,968,191	\$ 2	2,278,162 \$		1,586,463 \$	1,914,890	\$	2,274,060	\$ 2,146,871	,871 \$	1,902,417
Contributions in Relation to the Contractually Required Contribution		5,058,112	4,613,327	3	3,202,382	2	2,968,191	2	2,278,162	1,1	1,586,463	1,914,890	QI	2,274,060	2,146,871	.871	1,902,417
Contribution Deficiency (Excess)	S	<b>∽</b> l		<b>∞</b>		<b>∞</b>		<b>~</b>	\$		sl 		ام		<b>S</b>	<u>ا</u>	
School District's Covered-TRS Employee Payroll	€	29,330,293 \$	28,863,547 \$		27,413,149	\$ 27,	27,067,061	\$ 26	26,855,362 \$		25,992,425 \$	25,480,860	<b>\$</b>	26,459,431	\$ 25,502,141	.,141 \$	24,471,080
Contributions as a Percentage of Covered-Employee Payroll		17.25%	15.98%	_	11.68%		10.97%		8.48%		%01'9	7.52%	%	8.59%	00	8.42%	7.77%

### ROCKY POINT UNION FREE SCHOOL DISTRICT SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE FISCAL YEARS ENDED JUNE 30, \*

#### **ERS Pension Plan**

	 2015	2014
District's proportion of the net pension liability	 0.0213375%	 0.0213375%
District's porportionate share of the net pension liability	\$ 720,832	\$ 964,210
District's covered-employee payroll	\$ 5,967,941	\$ 5,876,902
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	12.08%	16.41%
Plan fiduciary net position as a percentage of total pension liability	97.9%	97.2%

#### TRS Pension Plan

	2015	2014
District's Proportion of the net pension (asset)	0.192192%	0.184650%
District's porportionate share of the net pension (asset)	\$ (21,408,959)	\$ (1,215,462)
District's covered-employee payroll	\$ 28,863,547	\$ 27,413,149
District's proportionate share of the net pension (asset) as a percentage of its covered-employee payroll	74.17%	4.43%
Plan fiduciary net position as a percentage of total pension (asset)	111.48%	100.70%

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

# ROCKY POINT UNION FREE SCHOOL DISTRICT SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND REAL PROPERTY TAX LIMIT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

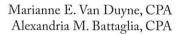
Change from Adopted Budget to Final Budget			
Adopted budget		\$	76,886,042
Add: prior year's encumbrances			287,844
Original budget			77,173,886
Add: Budget revision for gifts and donations  Budget revision for sale of property and compensation for loss			13,752 15,000
Final budget		<u>\$</u>	77,202,638
Section 1318 of Real Property Tax Law Limit Calculation			
2015-16 voter-approved expenditure budget		<u>\$</u>	78,780,743
Maximum allowed (4% of 2015-16 budget)		<u>\$</u>	3,151,230
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:			
Unrestricted fund balance: Assigned fund balance Unassigned fund balance Total unrestricted fund balance	\$  1,633,041 3,142,479 4,775,520		
Less: Appropriated fund balance Assigned - unappropriated fund balance Total adjustments	 1,465,650 167,391 1,633,041		
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$</u>	3,142,479
Actual percentage			4.0%

# ROCKY POINT UNION FREE SCHOOL DISTRICT SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

					Expenditures				Methods	Methods of Financing		1	
		Budget June 30, 2015	zet 2015	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local	Total		Fund Balance June 30, 2015
PROJECT TITLE											,		
HS Science Rooms 2013 #1	0029	64	254.677 \$	297,838	\$	\$ 297,838	\$ (43,161)	\$ 398,905	S	ss.	\$ 398	398,905 \$	101,067
I ifackille Bathroom		•	92 791	92,644	•	92.644	147			92,791	92	92,791	147
LICENTIES DAMINOUNI	0020	-	897 209	1.842.127	•	1,842,127	55,082	16,986		1,897,206	1,914	,914,192	72,065
IIS Catain Debase	0030	•	020 716	201 402		201.402	13.568			259,085	259	259,085	57,683
HS Caleteria bamiooms	0000	2,	<del>6</del> 4	2.434.011	\$	\$ 2,434,011	\$ 25,636	\$ 415,891	<b>\$</b>	\$ 2,249,082	\$ 2,664	.664.973 \$	230,962
			H										

#### ROCKY POINT UNION FREE SCHOOL DISTRICT NET INVESTMENT IN CAPITAL ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Capital assets, net	\$ 48,072,029
Add: Capital fund unspent bond proceeds	101,067 101,067
Deduct: Deferred amounts from refunding debt, net of amortization Short-term portion of bonds payable Long-term portion of serial bonds payable	(432,502) (2,460,000) (12,600,000) (15,492,502)
Net investment in capital assets	<u>\$ 32,680,594</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 Rocky Point Union Free School District

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 Rocky Point Union Free School District, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Rocky Point Union Free School District's basic financial statements, and have issued our report thereon dated October 9, 2015.

#### **Internal Control Over Financial Reporting**

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

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

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

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

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

#### Purpose of this Report

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

R.S. Abrams & Co., LLP

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Islandia, NY October 9, 2015