

SACHEM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis,
Financial Statements
and Supplemental Information
June 30, 2016
(With Independent Auditors' Report Thereon)

SACHEM CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Sachem Central School District
Lake Ronkonkoma, New York:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, and the additional information on pages 58 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents is presented for additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 7, 2016

SACHEM CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

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

FINANCIAL HIGHLIGHTS

The Sachem community has approved the 2016-2017 budget at the tax cap, and we are committed to maintaining that level.

The District was able to increase fund balance \$7.6 million due primarily to under spending in salaries and benefits, as well as unanticipated increases in revenue from State Aid and insurance recoveries.

We have closed 3 schools for the 2016-2017 school year, Gatelot, Tecumseh and Sequoya. We anticipate appointing a Commercial Real Estate Agent to assist in renting out the vacant buildings. The land sale on Coates Avenue closed in September 2016. We are still in the process of trying to sell the former administration building on Union Avenue.

We are exploring the potential for a Capital Improvement Bond issue which will address ADA compliance as well as health and safety issues in addition to equipment such as school buses, facilities trucks, security vehicles, and computer upgrades.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements with notes to the financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

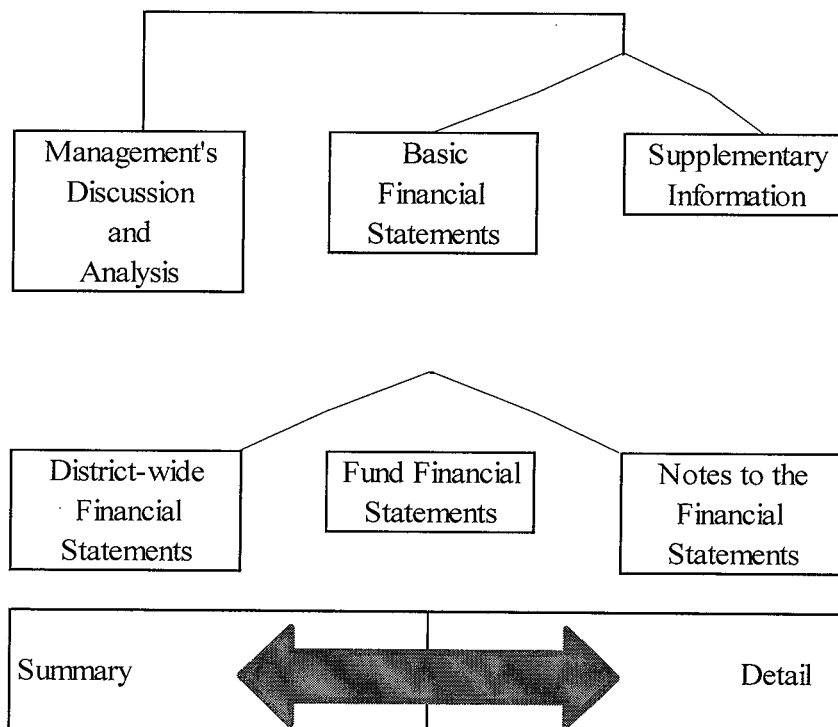
- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual funds of the District, reporting the operations in more detail than the District-wide statements.

SACHEM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

- The governmental fund statements tell how basic services such as instruction and support functions were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

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

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



SACHEM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

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

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

	District-wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All financial assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenue and expenses during the year; regardless of when cash is received or paid	Revenue for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

SACHEM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

(a) District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position reports the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position, which is the residual of the first four items above, is one way to measure the financial health of the District.

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

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

District-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and

SACHEM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

(a) District-wide Statements, Continued

- Allocate net position balances as follows:
 - Net investment in capital assets;
 - Restricted net position has constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation such as debt service;
 - Unrestricted net position does not meet any of the above restrictions.

(b) Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

- Governmental funds: Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-wide statements, reconciliations are provided that explain the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special revenue funds, debt service fund and capital projects fund. Required statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- Fiduciary funds: The District is the trustee or fiduciary for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on fiduciary net position and changes in fiduciary net position. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans.

SACHEM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

(a) Net Position

The District's net position increased \$9,002,653 in the fiscal year ended June 30, 2016 from \$(93,749,589) restated, to \$(84,746,936) primarily due to the implementation of GASB 68, as described in note 1(t).

Table A-3 - Condensed Statement of Net Position - Governmental Activities

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percentage Change
Current assets and other assets	\$ 132,836,226	126,110,817	6,725,409	5%
Capital assets, net	<u>203,139,838</u>	<u>211,667,645</u>	<u>(8,527,807)</u>	(4%)
Total assets	<u>335,976,064</u>	<u>337,778,462</u>	<u>(1,802,398)</u>	(1%)
Deferred outflows of resources	<u>34,580,925</u>	<u>26,295,205</u>	<u>8,285,720</u>	32%
Current liabilities	61,930,557	62,468,484	(537,927)	(1%)
Long-term liabilities	<u>357,342,278</u>	<u>331,874,248</u>	<u>25,468,030</u>	8%
Total liabilities	<u>419,272,835</u>	<u>394,342,732</u>	<u>24,930,103</u>	6%
Deferred inflows of resources	<u>36,031,090</u>	<u>63,480,524</u>	<u>(27,449,434)</u>	(43%)
Net position:				
Net investment in capital assets	37,740,124	33,894,657	3,845,467	11%
Restricted	3,344,461	3,331,314	13,147	0%
Unrestricted	<u>(125,831,521)</u>	<u>(130,975,560)</u>	<u>5,144,039</u>	(4%)
Total net position	\$ <u>(84,746,936)</u>	<u>(93,749,589)</u>	<u>9,002,653</u>	(10%)

Net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings and improvements, and furniture and equipment, net of depreciation and related debt. This amount increased from the prior year by \$3,845,467 primarily due to principal payments offset by depreciation.

Current assets and other assets increased \$6,725,409 from 2015 to 2016 primarily due to an increase in unrestricted cash. Capital assets (net of depreciation) decreased by \$8,527,807. This was attributable to current year depreciation. Current liabilities decreased by \$537,927, primarily due to an increase in amounts due to other governments and other postemployment benefit obligations. Long-term liabilities increased by \$25,468,030 primarily due to the increase in other postemployment benefits. Net position overall increased by \$9,002,653.

SACHEM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

(b) Changes in Net Position

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

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

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Increase (Decrease)	Percentage Change
Revenue:				
Program revenue:				
Charges for services	\$ 5,421,247	6,124,027	(702,780)	(11%)
Operating grants	9,983,683	9,526,677	457,006	5%
General revenue:				
Property taxes and other				
tax items	171,137,488	166,997,722	4,139,766	2%
State sources	119,585,420	112,020,706	7,564,714	7%
Other	<u>4,797,639</u>	<u>3,119,690</u>	<u>1,677,949</u>	54%
Total revenue	<u>310,925,477</u>	<u>297,788,822</u>	<u>13,136,655</u>	4%
Expenses:				
General support	30,571,109	32,060,027	(1,488,918)	(5%)
Instruction	228,034,677	229,644,814	(1,610,137)	(1%)
Pupil transportation	19,629,901	20,805,402	(1,175,501)	(6%)
Community service	1,529,436	1,481,357	48,079	3%
Debt service - interest	8,392,805	8,053,954	338,851	4%
Food service program	5,204,381	5,419,029	(214,648)	(4%)
Depreciation	<u>8,560,515</u>	<u>8,645,022</u>	<u>(84,507)</u>	(1%)
Total expenses	<u>301,922,824</u>	<u>306,109,605</u>	<u>(4,186,781)</u>	(1%)
Change in net position	\$ <u>9,002,653</u>	<u>(8,320,783)</u>	<u>17,323,436</u>	

The District's fiscal year 2016 revenue totaled \$310,925,477 (See Table A-4). Property taxes and state aid accounted for most of the District's revenue by contributing 55 cents and 40 cents, respectively of every dollar raised (See table A-5). The remainder came from fees charged for services, operating grants, investment earnings, and other miscellaneous sources.

The total cost of all programs and services totaled \$301,922,824 for fiscal year 2016. These expenses are predominantly related to general instruction and transporting students, which account for 81% of District expenses (See table A-6). The District's general support activities accounted for 10% of total costs.

SACHEM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Table A-5: Revenue for the year ended June 30, 2016. (See Table 4)

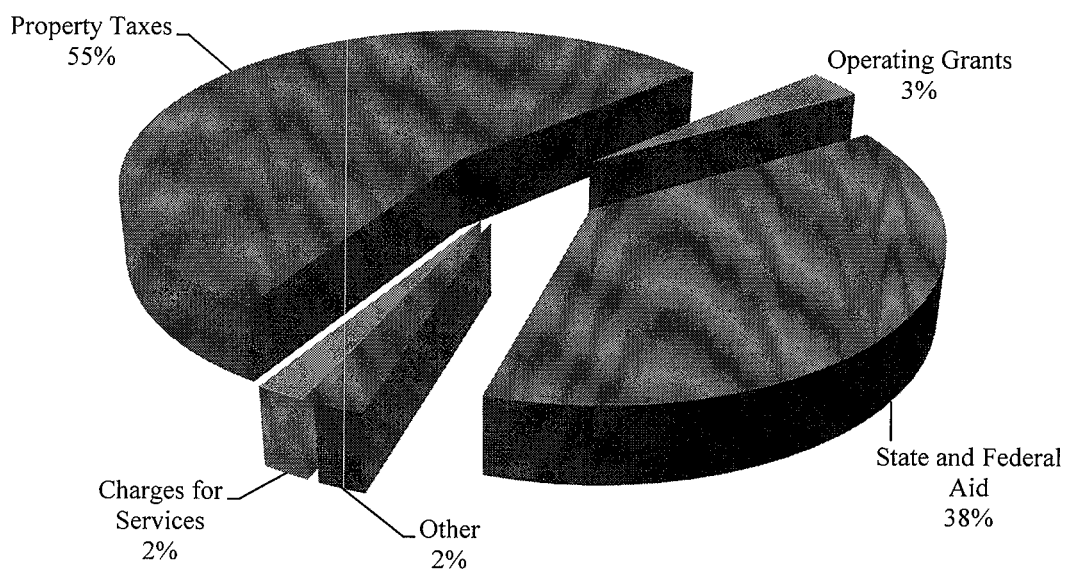
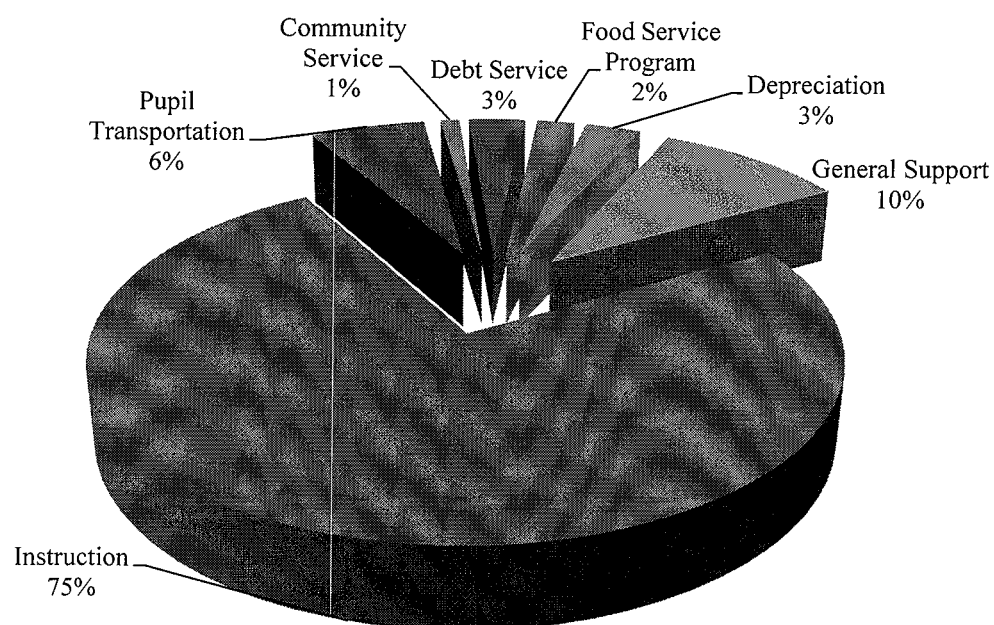


Table A-6: expenditures for the year ended June 30, 2016. (See Tables A-4 and A-7)



SACHEM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

(c) Governmental Activities

Revenue for the District's governmental activities totaled \$310,925,477 while total expenses equaled \$301,922,824. Table A-7 presents the cost of major District activities: general support, instruction, pupil transportation, debt service and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Table A-7: Net Cost of District Activities

<u>Category</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
General support	\$ 30,571,109	32,060,027	30,372,301	31,966,683
Instruction	228,034,667	229,644,814	218,088,505	219,367,214
Pupil transportation	19,629,901	20,805,402	19,629,901	20,805,402
Community service	1,529,436	1,481,357	1,529,436	1,481,357
Debt service - interest	8,392,805	8,053,954	8,392,805	8,053,954
School food service program	5,204,381	5,419,029	(55,569)	139,269
Depreciation (unallocated)	<u>8,560,515</u>	<u>8,645,022</u>	<u>8,560,515</u>	<u>8,645,022</u>
Total	\$ <u>301,922,824</u>	<u>306,109,605</u>	<u>286,517,894</u>	<u>290,458,901</u>

- The cost of all governmental activities this year was \$301,922,824 (statement of activities and changes in net position, expenses column).
- The users of the District's programs financed \$5,421,247 of the cost (statement of activities and changes in net position, charges for services column).
- The federal and state governments subsidized certain programs with grants of \$9,983,683 (Statement of activities and changes in net position, operating grants column).
- Most of the District's net costs of \$286,517,894 were financed by District taxpayers and state aid (statement of activities and changes in net position, net (expense) revenue and changes in net position column).

SACHEM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2016, the District's combined governmental funds reported a total fund balance of \$14,655,925 which is an increase of \$7,627,518 over the prior year.

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

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Increase (Decrease)	Total Percentage Change
General Fund:				
Restricted for employee benefit accrued liability	\$ 3,213,019	3,200,218	12,801	0%
Assigned-designated for subsequent year's expenditures	-	2,300,000	(2,300,000)	(100%)
Unassigned	<u>9,887,651</u>	<u>16,577</u>	<u>9,871,074</u>	59547%
Total fund balance - general fund	\$ <u>13,100,670</u>	<u>5,516,795</u>	<u>7,583,875</u>	137%
School Food Service:				
Nonspendable for inventory	131,442	131,096	346	0%
Assigned for school food service fund	<u>1,423,813</u>	<u>1,321,003</u>	<u>102,810</u>	8%
Total fund balance - school food service fund	\$ <u>1,555,255</u>	<u>1,452,099</u>	<u>103,156</u>	7%
Capital Projects Fund - assigned for capital projects	\$ <u>-</u>	<u>59,513</u>	<u>(59,513)</u>	(100%)
Total fund balance - all funds	\$ <u>14,655,925</u>	<u>7,028,407</u>	<u>7,627,518</u>	109%

SACHEM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

GENERAL FUND BUDGETARY HIGHLIGHTS

(a) 2015 - 2016 Budget

The District's original general fund budget for the year ended June 30, 2016 was \$296,073,703. The Board of Education approved a resolution to increase the budget by \$2,289,502 resulting in a final budget of \$298,363,205. The majority of the funding was property taxes and STAR revenue of \$170,779,032.

(b) Change in General Fund's Unassigned Fund Balance (Budget to Actual)

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

Opening, Unassigned Fund Balance	\$ 16,578
Revenue under original budget	1,977,562
Expenditures and encumbrances under budget	7,906,312
Increase in reserves for interest allocation	<u>(12,801)</u>
Closing, Unassigned Fund Balance	\$ <u>9,887,651</u>

The unassigned fund balance represents the fund balance retained by the District that is not reserved or designated for subsequent year's taxes. This amount should not exceed 4% of the 2016 - 2017 budget.

The expenditures and encumbrances under budget in the amount of \$7,906,312 was primarily attributable to instruction, transportation and employee benefits (see supplemental schedule 1 for detail).

SACHEM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

CAPITAL ASSETS AND DEBT ADMINISTRATION

(a) Capital Assets

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

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

<u>Category</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Land	\$ 1,210,049	1,210,049	-	0.00%
Buildings and improvements	322,656,076	322,656,076	-	0.00%
Furniture and equipment	<u>11,660,507</u>	<u>11,627,799</u>	<u>32,708</u>	0.28%
	335,526,632	335,493,924	32,708	0.01%
Less accumulated depreciation	<u>132,386,794</u>	<u>123,826,279</u>	<u>8,560,515</u>	6.91%
Total net capital assets	\$ <u>203,139,838</u>	<u>211,667,645</u>	<u>(8,527,807)</u>	(4.03%)

The District's capital projects fund transferred \$59,513 from completed projects to the General Fund and now has \$0 available for future projects.

(b) Long-Term Debt

At June 30, 2016, the District had total bonds payable of \$152,345,000. The bonds were issued for District-wide projects. The decrease in outstanding debt is due to principal payments. A summary of outstanding debt at June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Advance refunding bonds	\$ 132,595,000	142,600,000	(10,005,000)
Serial bonds	19,750,000	20,855,000	(1,105,000)
Energy performance debt	<u>11,454,714</u>	<u>12,517,988</u>	<u>(1,063,274)</u>
Total	\$ <u>163,799,714</u>	<u>175,972,988</u>	<u>(12,173,274)</u>

SACHEM CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District issued \$66,000,000 in tax anticipation notes with an interest rate net of premium of 0.8656% on August 25, 2016 and maturing June 29, 2017.

The general fund budget for the 2016-2017 school year was approved by the voters in the amount of \$306,407,294 on May 17, 2016. This is an increase of \$10,333,591 or 3.5% from the previous year's budget. The increase was primarily due to contractual obligations.

On July 12, 2016, the District entered into an Energy Performance Contract Lease Purchase Agreement for \$21,671,842 with a 15 year loan with maturity on July 12, 2031.

On July 20, 2016, the District issued \$67,900,000 in refunding bonds with a net interest rate of 2.242%. The refunded principal is \$70,240,000 originally issued in 2006. Final maturity is October 15, 2030. The total savings due to this refunding are \$17,306,174.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Sachem Central School District
Mr. John O'Keefe
Assistant Superintendent for Business
51 School Street
Lake Ronkonkoma, New York 11779
(631) 471-1321

SACHEM CENTRAL SCHOOL DISTRICT
Statement of Net Position - Governmental Activities
June 30, 2016

Assets:	
Cash and equivalents	
Unrestricted	\$ 27,425,394
Restricted	3,213,019
Receivables:	
State and federal aid	15,784,028
Due from other governments	1,512,015
Due from fiduciary funds	46,150
Other	122,698
Inventories	131,442
Capital assets, net	203,139,838
Net pension asset - proportionate share - TRS System	84,601,480
Total assets	<u>335,976,064</u>
Deferred outflows of resources:	
Pensions	14,666,900
Accrued contractual payments - pensions	19,914,025
Total deferred outflows of resources	<u>34,580,925</u>
Liabilities:	
Payables:	
Accounts payable	3,606,576
Accrued liabilities	1,496,518
Bond interest payable	1,625,082
Due to other governments	5,602,835
Due to teachers' retirement system	17,704,437
Due to employees' retirement system	1,281,225
Long-term liabilities:	
Due and payable within one year:	
Due to employees' retirement system	689,967
Bonds payable	11,550,000
Energy performance contracts	1,088,623
Claims payable	1,119,308
Compensated absences payable	422,264
Other postemployment benefits obligation	15,743,722
Due and payable after one year:	
Due to employees' retirement system	5,358,720
Due to teachers' retirement system	5,535,584
Bonds payable	140,795,000
Energy performance contracts	10,366,091
Claims payable	7,087,904
Compensated absences payable	8,790,734
Other postemployment benefits obligation	163,335,981
Net pension liability - proportionate share - ERS System	16,072,264
Total liabilities	<u>419,272,835</u>
Deferred inflows of resources:	
Deferred revenue - grant advances	2,274,966
Deferred amounts on refunding	1,600,000
Pensions	32,156,124
Total deferred inflows of resources	<u>36,031,090</u>
Net position:	
Net investment in capital assets	37,740,124
Restricted	3,344,461
Unrestricted	(125,831,521)
Total net position	<u>\$ (84,746,936)</u>

See accompanying notes to financial statements.

SACHEM CENTRAL SCHOOL DISTRICT
Statement of Activities - Governmental Activities
Year ended June 30, 2016

		<u>Program Revenues</u>		Net (Expense)
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
Functions and programs:				
General support	\$ 30,571,109	-	198,808	(30,372,301)
Instruction	228,034,677	2,095,425	7,850,747	(218,088,505)
Pupil transportation	19,629,901	-	-	(19,629,901)
Community services	1,529,436	-	-	(1,529,436)
Debt service - interest	8,392,805	-	-	(8,392,805)
Food service program	5,204,381	3,325,822	1,934,128	55,569
Depreciation (unallocated)	8,560,515	-	-	(8,560,515)
Total functions and programs	<u>\$ 301,922,824</u>	<u>5,421,247</u>	<u>9,983,683</u>	<u>(286,517,894)</u>
General revenue:				
Real property taxes				149,194,495
Other tax items - including STAR reimbursement				21,942,993
Use of money and property				1,015,374
Sale of property and compensation for loss				1,113,717
Miscellaneous				2,668,548
State sources				<u>119,585,420</u>
Total general revenue				<u>295,520,547</u>
Change in net position				9,002,653
Net position at beginning of year				<u>(93,749,589)</u>
Net position at end of year				<u>\$ (84,746,936)</u>

See accompanying notes to financial statements.

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

<u>Assets</u>	<u>General</u>	<u>Special Aid</u>	<u>School Food Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Cash and equivalents:					
Unrestricted	\$ 23,434,249	722,986	2,536,001	732,158	27,425,394
Restricted	3,213,019	-	-	-	3,213,019
Receivables:					
State and federal aid	11,636,093	4,027,950	119,985	-	15,784,028
Due from other governments	322,015	-	-	-	322,015
Due from other funds	5,769,780	-	-	-	5,769,780
Accounts receivable	99,071	-	23,627	-	122,698
Inventories	-	-	131,442	-	131,442
Total assets	<u>\$ 44,474,227</u>	<u>4,750,936</u>	<u>2,811,055</u>	<u>732,158</u>	<u>52,768,376</u>
<u>Liabilities, Deferred Inflows and Fund Balance</u>					
Liabilities:					
Accounts payable	2,758,981	-	115,445	732,150	3,606,576
Accrued liabilities	1,464,463	23,540	8,515	-	1,496,518
Due to other governments	5,601,529	-	1,306	-	5,602,835
Due to other funds	-	4,723,622	1,000,000	8	5,723,630
Due to teachers' retirement system	17,704,437	-	-	-	17,704,437
Due to employees' retirement system	1,281,225	-	-	-	1,281,225
Compensated absences	422,264	-	-	-	422,264
Total liabilities	<u>29,232,899</u>	<u>4,747,162</u>	<u>1,125,266</u>	<u>732,158</u>	<u>35,837,485</u>
Deferred inflows	<u>2,140,658</u>	<u>3,774</u>	<u>130,534</u>	<u>-</u>	<u>2,274,966</u>
Fund balance:					
Nonspendable	-	-	131,442	-	131,442
Restricted	3,213,019	-	-	-	3,213,019
Assigned	-	-	1,423,813	-	1,423,813
Unassigned	9,887,651	-	-	-	9,887,651
Total fund balance	<u>13,100,670</u>	<u>-</u>	<u>1,555,255</u>	<u>-</u>	<u>14,655,925</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 44,474,227</u>	<u>4,750,936</u>	<u>2,811,055</u>	<u>732,158</u>	<u>52,768,376</u>

See accompanying notes to financial statements.

SACHEM CENTRAL SCHOOL DISTRICT
Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position
Year ended June 30, 2016

Total governmental fund balance			\$ 14,655,925
Amounts reported for governmental activities in the statement of net position are different because:			
The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the statement of net position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.			
Original cost of capital assets	\$ 335,526,632		
Accumulated depreciation	<u>(132,386,794)</u>	203,139,838	
Due from other governments (library bonds payable) is not included on the fund level balance sheet.			1,190,000
Long-term liabilities are reported in the statement of net position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end consist of:			
Due to employees' retirement system	(6,048,687)		
Due to teachers' retirement system	(5,535,584)		
Bonds payable	(152,345,000)		
Accrued interest on bonds payable	(1,625,082)		
Energy performance contract	(11,454,714)		
Claims payable	(8,207,212)		
Other postemployment benefits obligation	(179,079,703)		
Compensated absences	<u>(8,790,734)</u>	(373,086,716)	
Some deferred inflows and outflows are not reported in the funds. These consist of the following:			
Deferred outflows - refunding	(1,600,000)		
Deferred outflows - accrued contractual payments - pensions	19,914,025		
Deferred inflows - pensions	(32,156,124)		
Deferred inflows - refunding	<u>14,666,900</u>	824,801	
(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues of expenditures in the governmental funds.			
Teachers' Retirement System	84,601,480		
Employees' Retirement System	<u>(16,072,264)</u>	68,529,216	
Total net position			<u><u>\$(84,746,936)</u></u>
See accompanying notes to financial statements.			

SACHEM CENTRAL SCHOOL DISTRICT

Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds Year ended June 30, 2016

	<u>General</u>	<u>Special Aid</u>	<u>School Food Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenue:					
Real property taxes	\$ 149,194,495	-	-	-	149,194,495
Other tax items - including STAR reimbursement	21,942,993	-	-	-	21,942,993
Charges for services	2,500,425	-	-	-	2,500,425
Use of money and property	815,016	-	358	-	815,374
Sale of property and compensation for loss	1,113,717	-	-	-	1,113,717
Miscellaneous	2,619,374	1,944	47,230	-	2,668,548
Interfund revenue	11,006	-	-	-	11,006
State sources	119,585,420	3,430,626	80,009	-	123,096,055
Federal sources	198,808	4,420,121	1,457,374	-	6,076,303
Surplus food	-	-	396,745	-	396,745
Sales - food services	-	-	3,325,822	-	3,325,822
Total revenue	<u>297,981,254</u>	<u>7,852,691</u>	<u>5,307,538</u>	<u>-</u>	<u>311,141,483</u>
Expenditures:					
General support	23,513,791	11,006	-	-	23,524,797
Instruction	158,867,254	7,831,170	-	-	166,698,424
Pupil transportation	18,306,286	510,515	-	-	18,816,801
Community service	1,042,577	-	-	-	1,042,577
Employee benefits	67,542,524	-	-	-	67,542,524
Debt service - principal	12,173,274	-	-	-	12,173,274
Debt service - interest	8,511,186	-	-	-	8,511,186
Cost of sales	-	-	5,204,382	-	5,204,382
Total expenditures	<u>289,956,892</u>	<u>8,352,691</u>	<u>5,204,382</u>	<u>-</u>	<u>303,513,965</u>
Excess (deficiency) of revenue over expenditures	<u>8,024,362</u>	<u>(500,000)</u>	<u>103,156</u>	<u>-</u>	<u>7,627,518</u>
Other financing sources and (uses):					
Operating transfers in	59,513	500,000	-	-	559,513
Operating transfers (out)	(500,000)	-	-	(59,513)	(559,513)
Total other financing sources (uses)	<u>(440,487)</u>	<u>500,000</u>	<u>-</u>	<u>(59,513)</u>	<u>-</u>
Net change in fund balance	7,583,875	-	103,156	(59,513)	7,627,518
Fund balance at beginning of year	5,516,795	-	1,452,099	59,513	7,028,407
Fund balance at end of year	<u>\$ 13,100,670</u>	<u>-</u>	<u>1,555,255</u>	<u>-</u>	<u>14,655,925</u>

See accompanying notes to financial statements.

SACHEM CENTRAL SCHOOL DISTRICT
Reconciliation of Governmental Funds Statement of Revenue, Expenditures
and Changes in Fund Balance to the Statement of Activities
Year ended June 30, 2016

Net change in fund balance	\$ 7,627,518
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Amounts reported for governmental activities in the statement of activities
are different because:

Long-term revenue and expense differences:

In the statement of activities, certain operating expenses are measured
by the amounts earned during the year. In the governmental
funds, however, expenditures for these items are measured
by the amount of financial resources used (essentially, the
amounts actually paid).

(Increase) decrease in:

Employee retirement system liability	(338,571)
Teachers' retirement system liability	1,058,083
Compensated absences liability	472,527
Other postemployment benefits obligation	(24,280,399)
Claims payable	71,693

Long-term debt transactions:

Repayment of bond principal and energy performance debt principal
is an expenditure in the governmental funds, less the library
portion, but reduce long-term liabilities in the statement of
net position and do not affect the statement of activities.

11,768,274

Interest on long-term debt in the statement of activities differs from
the amounts reported in the governmental funds because
interest is recorded as an expenditure in the funds when it is
due and requires the use of current financial resources. In the
statement of activities, however, interest expense is
recognized as the interest accrues regardless of when it is
due. Accrued interest from June 30, 2015 to June 30, 2016

118,381

Deferred amounts on refunding realized

200,000

(Continued)

See accompanying notes to financial statements.

SACHEM CENTRAL SCHOOL DISTRICT
Reconciliation of Governmental Funds Statement of Revenue, Expenditures
and Changes in Fund Balance to the Statement of Activities, Continued

Capital related items:

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense as summarized below:

Capital outlays	\$ 32,708	
Depreciation expense	<u>(8,560,515)</u>	(8,527,807)

(Increases) decreases in proportionate share of net pension asset/ liability report in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Employee's Retirement System	(12,731,456)	
Teachers' Retirement System	<u>(1,980,494)</u>	(14,711,950)

Some items reported as expenditures in governmental funds are required to be deferred in the statement of net position. In the current period those amounts are:

Accrued contributions to Employee's Retirement System	928,363	
Accrued contributions to Teacher's Retirement System	17,704,437	
Deferred inflows - pensions	27,259,184	
Deferred outflows pensions	<u>(10,347,080)</u>	<u>35,544,904</u>

Changes in net position of governmental activities		<u>\$ 9,002,653</u>
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See accompanying notes to financial statements.

SACHEM CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose <u>Trust Funds</u>	Agency <u>Funds</u>
Assets:		
Cash	\$ 169,597	942,493
Due from other governments	<u>-</u>	<u>6,751</u>
Total assets	<u><u>\$ 169,597</u></u>	<u><u>949,244</u></u>
Liabilities:		
Extraclassroom activity balance	-	394,710
Due to other funds	-	46,150
Other liabilities	<u>100</u>	<u>508,384</u>
Total liabilities	<u><u>\$ 100</u></u>	<u><u>949,244</u></u>
Fiduciary net position - reserved for scholarships	<u><u>\$ 169,497</u></u>	

See accompanying notes to financial statements.

SACHEM CENTRAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2016

	<u>Private Purpose Trust Fund</u>
Additions:	
Gifts and contributions	\$ 15,305
Interest and earnings	<u>128</u>
Total additions	15,433
Deductions - scholarships and awards	<u>19,050</u>
Change in net position	(3,617)
Fiduciary net position at beginning of year	<u>173,114</u>
Fiduciary net position at end of year	<u><u>\$ 169,497</u></u>

See accompanying notes to financial statements.

SACHEM CENTRAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

(1) Summary of Certain Significant Accounting Policies

The financial statements of Sachem Central School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are described below:

(a) Reporting Entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education (the Board) consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

(i) Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be obtained at the District's business office. The District accounts for assets held as an agent for various student organizations in an agent fund.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(b) Joint Venture

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

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

A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$18,707,815 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$4,947,176.

Financial statements for the BOCES are available from the BOCES administrative office:

Eastern Suffolk Board of Cooperative Educational Service
James Hines Administration Center
201 Sunrise Highway
Patchogue, New York 11772

(c) Basis of Presentation

(i) District-wide Statements

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

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(c) Basis of Presentation, Continued

(i) District-Wide Statements, Continued

The statement of activities presents a comparison between program expenses and revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue includes charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

(ii) Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

School Food Service: This fund is used to account for the activities of the District's food service operations.

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

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(c) Basis of Presentation, Continued

(ii) Fund Financial Statements, Continued

Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

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

(d) Measurement Focus and Basis of Accounting

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

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within one year after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

(e) Property Taxes

Real property taxes are levied annually by the Board of Education no later than November 1, and become a lien on December 1. Taxes are collected by the Towns of Brookhaven, Smithtown and Islip beginning November 1. Uncollected taxes become a lien on December 1. Uncollected real property taxes are transmitted to the County of Suffolk for enforcement. Uncollected taxes are paid by the County to the District no later than the forthcoming April 1.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(f) Restricted Resources

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

(g) Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. The interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenue 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 may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to note 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenue activity.

(h) Estimates

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

(i) Subsequent Events

The District has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(j) Cash and Equivalents

The District's cash and cash equivalents consist of cash on hand and demand deposits. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

(k) Accounts Receivable

Accounts receivable are reported 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.

(l) Inventories and Prepaid Items

Inventories of food in the school food service fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and Governmental 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.

(m) Capital Assets

An appraisal of the District's capital assets was conducted during the fiscal year ended June 30, 2011 by independent third-party professionals. The appraisal included the implementation of the \$5,000 threshold as well as utilizing revised useful life tables. The District's capital assets are reported at cost or estimated historical cost.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building and improvements	\$ 5,000	Straight-line	20-40 years
Furniture and equipment	5,000	Straight-line	2-20 years
Land improvements	5,000	Straight-line	20 years

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(n) Deferred Outflows and Inflows

Deferred outflows of resources represent a consumption of net assets which apply to a future period and will not be recognized as an outflow of a resource until then. The District has reported deferred outflows all related to the implementation of GASB 68 in the amount of \$34,580,925 as related to its pension systems.

Deferred inflows are reported when revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arises when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. The District has reported deferred inflows of \$1,600,000 for gains on refunding of debt, \$2,274,966 for payments and grants received in advance of the period they are earned and \$32,156,124 for pension resources. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the deferred inflow of resources is removed and revenue is recorded.

The State of New York notified the District in 2014 that \$2,039,277 in unpaid retroactive Building Aid was due to the District. The District has accordingly recorded this receivable in the General Fund. However, there is no timeline that was conveyed to the District for this payment and payment of this amount is dependant upon future approval of appropriations by the New York State Legislature. As such the District has recorded this balance as a deferred inflow in both the General Fund and in the Government-wide statements.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

(o) Vested Employee Benefits

Compensated Absences

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

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

District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement 16 - "Accounting for Compensated Absences," the liability has been calculated using the vesting method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(o) Vested Employee Benefits, Continued

In the funds 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

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the District and the retired employee.

The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the fund financial statements.

(q) Short-Term Debt

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenue. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's 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 provision or no provision made in the annual budget. The budget note must be repaid no later than the close of second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BANs), 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 are converted to long-term financing within five years after the original issue date.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(r) Accrued Liabilities and Long-Term Obligations

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

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

(s) Equity Classifications

District-wide Statements

In the District-wide 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, construction or improvement of those assets.

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

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

Fund Statements

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

- (1) Non-spendable - 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 Food Service Fund of \$131,442.
- (2) Restricted - 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.

Currently, New York State laws still use the terminology "reserves" and Districts are only allowed to use reserves authorized by law. The District has \$3,213,019 classified reserves restricted for the Employee Benefit Accrued Liability.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(s) Equity Classifications, Continued

Fund Statements, Continued

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

Employee Benefit Accrued Liability

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

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(s) Equity Classifications, Continued

Fund Statements, Continued

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 for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

Reserve for Debt Service

Mandatory reserve for debt service (GML §6-1) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of district property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

- (3) 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., Board of Education.) The District has no committed fund balances as of June 30, 2016.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(s) Equity Classifications, Continued

Fund Statements, Continued

- (4) Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances are classified as Assigned Fund Balance.

Total Assigned
Fund Balance

School Food Service

\$ 1,423,813

- (5) Unassigned - Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

(2) Explanation of Certain Differences Between Fund Statements and District-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the 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 focus of the statement of activities, compared with the current financial resources focus of the governmental funds.

(a) Total Fund Balance of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the statement of net position. The difference primarily results from 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 Revenue, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds' statement of revenue, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown below represent:

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(2) Explanation of Certain Differences Between Fund Statements and District-wide Statements, Continued

(b) Statement of Revenue, Expenditures and Changes in Fund Balance vs. Statement of Activities

(i) Long-term revenue and expense differences

Long-term revenue differences arise because governmental funds report revenue only when they are considered available, whereas the statement of activities reports revenue 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 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 expense is recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

(3) Stewardship, Compliance and Accountability

(a) Budgets

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

The voters of the District approved the proposed appropriation budget for the General Fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(3) Stewardship, Compliance and Accountability, Continued

(a) Budgets, Continued

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

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

(b) Encumbrances

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

(4) Cash and Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these notes.

Deposits at year-end were entirely covered by Federal depository insurance; secured by irrevocable stand-by Letters of Credit issued by the Federal Home Loan Bank of New York; or, collateralized with securities held by the pledging financial institution in the District's name.

<u>Fund</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental activities	\$ 30,638,413	31,091,205
Fiduciary funds	<u>1,112,090</u>	<u>1,365,984</u>
	<u>\$ 31,750,503</u>	<u>32,457,189</u>

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(5) State and Federal Aid Receivable

State and federal aid receivable at June 30, 2016 consists of the following:

General Fund:

Excess cost aid	\$ 4,018,860
BOCES aid	4,947,176
General aid	<u>2,670,057</u>
	<u>11,636,093</u>

Special Aid Fund:

Federal aid	1,803,254
State aid	<u>2,224,696</u>
	<u>4,027,950</u>

School Food Service Fund:

Breakfast - state aid	2,332
Lunch - state aid	12,697
Breakfast - federal aid	16,115
Lunch - federal aid	<u>88,841</u>
	<u>119,985</u>

Total	\$ <u>15,784,028</u>
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(6) Due From Other Governments

The District provided construction financing to the Sachem Public Library (the Library) in 1998. The District has an understanding that the Library will annually budget and provide funding to the District in an amount equal to the amount required to service this debt. In 2009, the original debt was defeased with the proceeds of a refunding bond to reduce the amount of future debt service. This reduced future debt service also reduced the amount due from the Library.

The amount due from other governments consists of the following at June 30, 2016:

General Fund:

Services to other districts	\$ 220,463
PILOT payment receivable	101,552
Governmental Activities - Library bond	<u>1,190,000</u>
Total governmental activities	\$ <u>1,512,015</u>

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(7) Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not being depreciated - land	\$ 1,210,049	-	-	1,210,049
Capital assets that are being depreciated:				
Building and improvements	322,656,076	-	-	322,656,076
Furniture and equipment	<u>11,627,799</u>	<u>32,708</u>	<u>-</u>	<u>11,660,507</u>
Total capital assets that are being depreciated	<u>334,283,875</u>	<u>32,708</u>	<u>-</u>	<u>334,316,583</u>
Less accumulated depreciation:				
Building and improvements	113,699,199	7,882,916	-	121,582,115
Furniture and equipment	<u>10,127,080</u>	<u>677,599</u>	<u>-</u>	<u>10,804,679</u>
Total accumulated depreciation	<u>123,826,279</u>	<u>8,560,515</u>	<u>-</u>	<u>132,386,794</u>
Total capital assets that are being depreciated, net	<u>210,457,596</u>	<u>(8,527,807)</u>	<u>-</u>	<u>201,929,789</u>
Governmental activities - capital assets, net	\$ <u>211,667,645</u>	<u>(8,527,807)</u>	<u>-</u>	<u>203,139,838</u>
Depreciation expense (unallocated)				\$ <u>8,560,515</u>

(8) Short-Term Debt

During the year ended June 30, 2016, the District issued and redeemed \$78,000,000 in total short-term debt (TAN), which was used for interim financing of general fund operations. Transactions in short-term debt for the year are summarized below:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN	6/28/2016	0.45%	\$ <u>-</u>	<u>78,000,000</u>	<u>78,000,000</u>	<u>-</u>

Interest on short-term debt was \$1,334,667 for the year ended June 30, 2016. The District received a premium of \$1,035,065 upon issuance.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(9) Long-Term Debt Obligations

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities:					
Bonds payable:					
General obligation debt:					
Refunding Bonds	\$ 141,005,000	-	9,600,000	131,405,000	10,025,000
Construction Serial Bonds	20,855,000	-	1,105,000	19,750,000	1,125,000
Library Refunding Bonds	<u>1,595,000</u>	<u>-</u>	<u>405,000</u>	<u>1,190,000</u>	<u>400,000</u>
Total bonds payable	<u>163,455,000</u>	<u>-</u>	<u>11,110,000</u>	<u>152,345,000</u>	<u>11,550,000</u>
Other liabilities:					
Energy Performance Contracts	12,517,988	-	1,063,274	11,454,714	1,088,623
Due to Employees Retirement System	5,710,116	928,363	589,792	6,048,687	689,967
Due to Teachers' Retirement System	6,593,667	-	1,058,083	5,535,584	-
Other postemployment benefits obligation	154,799,304	42,378,399	18,098,000	179,079,703	15,743,722
Claims payable	8,278,905	1,152,042	1,223,735	8,207,212	1,119,308
Compensated absences	<u>9,516,094</u>	<u>-</u>	<u>303,096</u>	<u>9,212,998</u>	<u>422,264</u>
Total other liabilities	<u>197,416,074</u>	<u>44,458,804</u>	<u>22,335,980</u>	<u>219,538,898</u>	<u>19,063,884</u>
Deferred amounts due to refunding	<u>1,800,000</u>	<u>-</u>	<u>200,000</u>	<u>1,600,000</u>	<u>200,000</u>
Total	\$ <u>362,671,074</u>	<u>44,458,804</u>	<u>33,645,980</u>	<u>373,483,898</u>	<u>30,813,884</u>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Refunding Bond 2006B	2007	2027	4.20%	\$ 19,450,000
Refunding Bond 2006	2007	2031	4.50%	68,585,000
Construction Serial Bond	2009	2019	2.0-4.0%	11,625,000
Library Refunding Bond	2009	2019	2.0-4.0%	1,190,000
Refunding Bond 2011	2011	2024	2.84%	34,970,000
Construction Serial Bond	2011	2030	3.17%	8,125,000
Refunding Bond 2012	2012	2018	2.0-3.0%	<u>8,400,000</u>
				\$ <u>152,345,000</u>

* Partially defeased with 2012, refunding bond

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(9) Long-Term Debt Obligations, Continued

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

Fiscal Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 11,550,000	6,429,075	17,979,075
2018	12,050,000	5,921,988	17,971,988
2019	12,580,000	5,386,725	17,966,725
2020	9,760,000	4,878,031	14,638,031
2021	8,045,000	4,459,213	12,504,213
2022-2026	47,285,000	16,148,219	63,433,219
2027-2031	<u>51,075,000</u>	<u>4,954,718</u>	<u>56,029,718</u>
	\$ <u>152,345,000</u>	<u>48,177,969</u>	<u>200,522,969</u>

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

Fiscal Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,088,623	265,064	1,353,687
2018	1,114,576	239,111	1,353,687
2019	1,141,148	212,539	1,353,687
2020	1,168,354	185,334	1,353,688
2021	1,196,207	157,480	1,353,687
2022-2026	<u>5,745,806</u>	<u>345,787</u>	<u>6,091,593</u>
	\$ <u>11,454,714</u>	<u>1,405,315</u>	<u>12,860,029</u>

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and the liability for the defeased bonds are not included in the District's financial statements. All previously defeased bonds have been redeemed as of June 30, 2016.

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

Interest paid	\$ 8,511,186
Less interest accrued in the prior year	(1,743,463)
Plus interest accrued in the current year	<u>1,625,082</u>
Total expense	\$ <u>8,392,805</u>

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(10) Pension Obligations

(a) Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all 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 provision 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/inex.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(10) Pension Obligations, Continued

(a) Plan Descriptions and Benefits Provided, Continued

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annual certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems; fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
2016	\$ 4,950,013	21,447,996	26,367,009
2015	4,910,497	18,657,190	23,567,687
2014	6,114,868	16,213,708	22,328,576

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	3/31/2016	6/30/2015
Net pension asset/(liability)	\$ (16,072,264)	84,601,480
District's proportion of the Plan's net pension asset/(liability)	0.1001370%	0.049892%

For the year ended June 30, 2016, the District's recognized pension expense of \$5,140,832 for ERS and the actuarial value \$5,721,861 for TRS. At June 30, 2016 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(10) Pension Obligations, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 81,217	-	(1,905,099)	(2,344,668)
Changes of assumptions	4,285,988	-	-	-
Net difference between projected and actual earnings on pension plan investments	9,534,949	-	-	(26,742,968)
Changes in proportion and differences between the District's contributions and proportionate share of contributions	<u>522,996</u>	<u>241,750</u>	<u>-</u>	<u>(1,163,389)</u>
Total	\$ <u>14,425,150</u>	<u>241,750</u>	<u>(1,905,099)</u>	<u>(30,251,025)</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

<u>Year ended</u>	<u>ERS</u>	<u>TRS</u>
2017	\$ 3,177,096	(10,894,742)
2018	3,177,096	(10,894,742)
2019	3,177,096	(10,894,742)
2020	2,988,762	4,339,219
2021	-	(400,510)
Thereafter	-	(1,263,759)

(c) Actuarial Assumptions

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

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(10) Pension Obligations, Continued

(c) Actuarial Assumptions, Continued

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7%	8%
Salary scale	3.8% Average	4.01% - 10.91%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.5%	3.0%

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

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

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Asset type:		
Domestic equity	7.30%	6.50%
International equity	8.55%	7.10%
Real estate	8.25%	4.60%
Alternative investments	-	9.90%
Domestic fixed income securities	-	2.10%
Global fixed income securities	-	1.90%

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(10) Pension Obligations, Continued

(c) Actuarial Assumptions, Continued

	<u>ERS</u>	<u>TRS</u>
Asset type, Continued:		
Mortgages	-	3.40%
Short-term	-	1.20%
Private equity	11.00%	-
Absolute return strategies	6.75%	-
Opportunities portfolio	8.60%	-
Real assets	8.65%	-
Bonds and mortgages	4.00%	-
Cash	2.25%	-
Inflation - indexed bonds	4.00%	-

(d) Discount Rate

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

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

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability)	\$ (32,241,788)	(16,072,264)	970,122
TRS	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Employer's proportionate share of the net pension asset (liability)	\$ (5,770,912)	84,601,480	161,670,153

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(10) Pension Obligations, Continued

(f) Pension Plan Fiduciary Net Position

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

	(Dollars in Millions)		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Valuation date	4/1/2015	6/30/2014	
Employers' total pension liability	\$ (172,303)	(99,332)	(271,635)
Plan net position	<u>156,253</u>	<u>109,719</u>	<u>265,972</u>
Employers' net pension asset/(liability)	\$ <u>(16,050)</u>	<u>10,387</u>	<u>(5,663)</u>
Ration of plan net position to the			
Employers' total pension asset/(liability)	90.7%	110.46%	97.90%

(g) Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$1,281,225. This amount has been recorded as an expenditure in the governmental fund statements and a deferred cost in the government-wide financial statements.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$17,704,437. This amount has been recorded as an expenditure in the governmental fund statements and a deferred cost in the government-wide financial statements.

(11) Interfund Transactions - Governmental Funds

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. Interfund receivables, payables and transfers of the District as of and for the year ended June 30, 2016 consisted of the following:

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(11) Interfund Transactions - Governmental Funds, Continued

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 5,769,780	-	59,513	500,000
Special Aid Fund	-	4,723,622	500,000	-
School Food Service Fund	-	1,000,000	-	-
Capital Projects Fund	-	8	-	59,513
Total Governmental Funds	5,769,780	5,723,630	559,513	559,513
Fiduciary Agency Fund	-	46,150	-	-
Totals	\$ <u>5,769,780</u>	<u>5,769,780</u>	<u>559,513</u>	<u>559,513</u>

The District typically transfers from the general fund to the capital projects fund, to finance capital construction projects. The District typically transfers from the general fund to the special aid fund to fund the District's 20% share of summer school handicap expenses required by state law.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

(12) Other Postemployment Benefits (OPEB)

The District provides medical and Medicare Part B benefits to its eligible retirees. These benefits are provided through fully insured plans that are sponsored by a regional health consortium. Most employees are required to reach age 55 and have 5 years of service to qualify for OPEB. The District pays 100% of the retiree's medical benefits and reimburses the employee for the full cost of Medicare Part B. The District contributes towards the cost of eligible spouses during the retiree's lifetime. Spouses pay 20% for coverage and receive 100% reimbursement for Medicare Part B. Surviving spouses continue medical coverage for three months after the retiree's death and receive reimbursement of the Medicare Part B premium for life.

The District implemented GASB Statement 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," during the year ended June 30, 2008. This required the District to calculate and record an other postemployment benefit obligation at year-end. The other postemployment benefit obligation is essentially the cumulative difference between the actuarially required contribution and the actual contributions paid.

Currently, 1,467 retired employees receive health benefits from the District.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund as payments are made. For the year ended June 30, 2016, the District recognized \$13,677,933 for its share of insurance premiums for currently enrolled retirees.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(12) Other Postemployment Benefits (OPEB), Continued

The District has obtained an actuarial valuation report as of July 1, 2015 which indicates that the total liability for other postemployment benefits is \$484,018,831 (\$256,384,704 related to retirees and \$227,634,127 related to employees). The net OPEB obligation at June 30, 2016 is \$179,079,703, which is reflected in the statement of net position.

(a) Plan Description

NYSHIP Empire Plan is a single-employer defined benefit healthcare plan administered by New York State. The Empire Plan provides medical insurance benefits to eligible retirees and their spouses. Article 37 of the Statutes of the state assigns the authority to establish and amend benefit provisions to the school district. Sachem Central School District is considered a Phase I employer and was required to comply with GASB Statement 45 no later than the first fiscal year starting after December 15, 2006.

(b) Funding Policy

The contribution requirements of plan members and the Sachem Central School District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District. For fiscal year 2016, the Sachem Central School District contributed \$13,677,933 to the plan all relating to current premiums.

(c) Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District net OPEB obligation:

Annual OPEB cost and net OPEB obligation:	
Annual required contribution	\$ 40,544,576
Interest on net OPEB obligation	6,191,972
Adjustment to annual required contribution	<u>(8,778,216)</u>
Annual OPEB cost (expense)	37,958,332
Contributions made	<u>13,677,933</u>
Increase in net OPEB obligation	24,280,399
Net OPEB obligation at beginning of year	<u>154,799,304</u>
Net OPEB obligation at end of year	<u>\$ 179,079,703</u>

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(12) Other Postemployment Benefits (OPEB), Continued

(c) Annual OPEB Cost and Net OPEB Obligation, Continued

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

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 40,296,600	39,582,414	13,250,794	43%	130,569,787
6/30/2015	40,868,450	40,004,071	13,121,525	43%	154,799,304
6/30/2016	40,544,579	37,958,331	13,677,933	36%	179,079,703

(d) Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$484,018,831, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$484,018,831. The covered payroll (annual payroll of active employees covered by the plan) was \$129,121,148, and the ratio of the UAAL to the covered payroll was 355%. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future.

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

(e) Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate and for medical inflation an ultimate healthcare cost trend rate of 4% in 2015. The UAAL is being amortized over 30 years using an interest rate equal to the funding rate of 4%. The remaining amortization period at June 30, 2016, was 22 years.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(13) Risk Management

(a) General

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

(b) Consortiums and Self Insured Plans

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). As of June 30, 2016, the District has recorded potential workers' compensation claims of \$8,207,212. This liability was calculated by an independent actuarial firm and is presented on a discounted basis using an expected investment yield of 2%.

Claims reported for the fiscal year ended June 30:	Balance at Beginning of Year	Claims and Changes in Estimates	Claims Payments	Balance at End of of Year
2016	\$ <u>8,278,905</u>	<u>1,152,042</u>	<u>1,223,735</u>	<u>8,207,212</u>

The District has chosen to establish a self-funded dental benefit program for its employees. The benefit programs administrator, J.J. Stanis, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the General Fund of the District.

(14) Commitments and Contingencies

(a) Grants

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

(b) Operating Leases

The District is committed under various noncancelable operating leases, primarily for computers and copiers (principally in the general fund). Expenditures were \$621,473 for the year ended June 30, 2016. The following is a summary of obligations of government activities under operating leases:

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(14) Commitments and Contingencies, Continued

(b) Operating Leases, Continued

Fiscal year ended June 30,

2017	\$ 427,212
2018	306,150
2019	306,150
2020	<u>229,612</u>
Total	<u>\$ 1,269,124</u>

(c) Litigation

As of June 30, 2016, the District is unaware of any pending or threatened litigation or unasserted claims or assessments against the Sachem Central School District which require disclosure.

(15) Subsequent Events

- (a) The District issued \$66,000,000 in TANS on August 17, 2016 with an interest rate net of premium of 0.87% and maturing on June 29, 2017
- (b) On May 17, 2016 the proposed 2016-2017 budget in the amount of \$306,407,294 was authorized by the District's residents.
- (c) On July 12, 2016, the District entered into an Energy Performance Contract Lease Purchase Agreement for \$21,671,842 with a 15 year loan with maturity on July 12, 2031.
- (d) On July 20, 2016, the District issued \$67,900,000 in refunding bonds with a net interest rate of 2.242%. The refunded principal is \$70,240,000 originally issued in 2006. Final maturity is October 15, 2030. The total savings due to this refunding are \$17,306,174.

(16) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 74 - "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement, issued in June 2015, replaces existing standards of accounting and financial reporting for post employment benefit plans other than pension plans and also replaces existing requirements for defined contribution OPEB plans. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2016, which is the fiscal year beginning July 1, 2016 for the District. This Statement is not expected to have a material effect on the financial statements of the District.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(16) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, issued in June 2015, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for fiscal years beginning after June 15, 2017, which is the fiscal year beginning July 1, 2017 for the District. This Statement is not expected to have a material effect on the financial statements of the District.

GASB Statement No. 77 - "Tax Abatement Disclosures". This Statement, issued in August 2015, increases disclosure requirements for governments that enter into tax abatement agreements. This Statement is effective for fiscal years beginning after December 15, 2015, which is the fiscal year beginning July 1, 2016 for the District. This Statement is not expected to have a material effect on the financial statements of the District.

GASB Statement No. 78 - "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans." This Statement, issued in December 2015 amends GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2015, which is the fiscal year beginning July 1, 2016 for the District. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the District.

GASB Statement No. 79 - "Certain External Investment Pools and Pool Participants." This Statement, issued in December 2015, addresses the accounting and financial reporting for certain external investment pools and pool participants. It establishes the criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. For the District, this Statement becomes effective for the fiscal year beginning July 1, 2016. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the District.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(16) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 80 - "Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14." This Statement, issued in January 2016, amends the blending requirements for the financial statement presentation of component units of all state and local governments. It requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2016, which is the fiscal year beginning July 1, 2017 for the District. This Statement is not expected to have a material effect on the financial statements of the District.

GASB Statement No. 81 - "Irrevocable Split-Interest Agreements." This Statement, issued in March 2016, establishes accounting and reporting standards for irrevocable split-interest agreements with characteristics that are equivalent to irrevocable split-interest agreements in which a donor irrevocably transfers resources to an intermediary who administers these resources for the unconditional benefit of a government and at least one other beneficiary. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2016. For the District, this Statement becomes effective for the fiscal year beginning July 1, 2017. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the District.

GASB Statement No. 82 - "Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73." This Statement, issued in March 2016, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, which is the fiscal year beginning January 1, 2017 for the Town, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, which is the fiscal year beginning July 1, 2018 for the District. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the District.

REQUIRED SUPPLEMENTARY INFORMATION

SACHEM CENTRAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Revenue, Expenditures and Changes in Fund Balance -
 Budget and Actual - General Fund
 Year ended June 30, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	Actual (Budgetary Basis)	Final Budget Variance With Budgetary <u>Actual</u>
Revenue:				
Local sources:				
Real property taxes	\$149,779,032	149,779,032	149,194,495	(584,537)
Other real property tax items	21,000,000	21,000,000	21,942,993	942,993
Charges for services	2,588,675	2,588,675	2,500,425	(88,250)
Use of money and property	599,000	737,216	815,016	77,800
Sale of property and compensation for loss	400,000	400,000	1,113,717	713,717
Miscellaneous	1,152,055	2,333,120	2,619,374	286,254
Interfund revenue	-	-	11,006	11,006
State sources:				
Basic formula	80,630,860	80,630,860	76,065,459	(4,565,401)
Excess cost aid	15,500,000	16,470,221	20,732,991	4,262,770
Lottery aid	15,750,000	15,750,000	15,903,249	153,249
BOCES aid	4,207,037	4,207,037	4,947,176	740,139
Tuition disabled students aid	100,000	100,000	160,599	60,599
Textbook aid	827,774	827,774	832,276	4,502
Computer software aid	215,000	215,000	211,039	(3,961)
Computer hardware aid	184,270	184,270	183,762	(508)
Library A/V loan program aid	90,000	90,000	88,050	(1,950)
Other state aid	500,000	500,000	460,819	(39,181)
Federal sources - Medicaid reimbursement	250,000	250,000	198,808	(51,192)
Other financing sources transfers from other funds	-	-	59,513	59,513
Total revenue and other sources	293,773,703	296,063,205	<u>298,040,767</u>	<u>1,977,562</u>
Appropriated fund balance	<u>2,300,000</u>	<u>2,300,000</u>		
Total revenue and appropriated fund balance	<u>\$296,073,703</u>	<u>298,363,205</u>		

Budget Basis of Accounting

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

SACHEM CENTRAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Revenue, Expenditures and Changes in Fund Balance -
 Budget and Actual - General Fund
 Year ended June 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances
Expenditures:					
General support:					
Board of Education	\$ 130,486	134,542	125,884	-	8,658
Central administration	387,693	419,454	415,706	-	3,748
Finance	2,078,427	2,070,479	1,994,209	-	76,270
Staff	1,506,672	1,468,717	1,273,632	-	195,085
Central services	18,061,346	17,313,504	16,664,179	-	649,325
Special items	3,341,711	3,073,161	3,040,181	-	32,980
Instructional:					
Instruction, administration	10,110,523	9,882,288	9,570,982		311,306
Teaching - regular school	80,708,620	82,371,153	81,245,608	-	1,125,545
Programs for children with handicapping conditions	46,403,105	47,875,136	46,390,345	-	1,484,791
Occupational education	1,650,000	1,637,302	1,513,085	-	124,217
Teaching - special schools	192,533	192,533	157,968		34,565
Instructional media	7,495,674	7,238,112	7,156,502	-	81,610
Pupil services	14,024,558	13,042,800	12,832,764	-	210,036
Pupil transportation	18,758,327	18,821,862	18,306,286	-	515,576
Community services	1,169,170	1,136,675	1,042,577	-	94,098
Employee benefits	69,955,064	70,369,380	67,542,524	-	2,826,856
Debt service - principal	12,173,274	12,173,274	12,173,274	-	-
Debt service - interest	7,426,520	8,642,833	8,511,186	-	131,647
	295,573,703	297,863,205	289,956,892	-	7,906,313
Other financing uses - transfers to other funds	500,000	500,000	500,000	-	-
	<u>\$296,073,703</u>	<u>298,363,205</u>	<u>290,456,892</u>	<u>-</u>	<u>7,906,313</u>
Change in fund balance			7,583,875		
Fund balance - beginning			5,516,795		
Fund balance - ending			<u>\$13,100,670</u>		

Budget Basis of Accounting

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

SACHEM CENTRAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Funding Progress for Other Postemployment Benefits
 Year ended June 30, 2016

Actuarial						Unfunded Liability as a Percentage of
Fiscal Year	Value of	Accrued	Unfunded	Funded	Covered	Covered
Ended June 30,	Assets	Liability	Liability	Ratio	Payroll	Payroll
2014 (1)	\$ -	458,414,692	458,414,692	-	129,121,148	355%
2015 (1)	-	458,414,692	458,414,692	-	129,121,148	355%
2016 (2)	-	484,018,831	484,018,831	-	150,823,833	321%

(1) Valuation date was July 1, 2013.

(2) Valuation date was July 1, 2015.

SACHEM CENTRAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of District's Proportionate Share of the Net Position Asset/Liability
 Year ended June 30, 2016

<u>TRS System - Asset</u>	<u>2016</u>	<u>2015</u>
The District's proportion of the net pension asset	0.814509%	0.777261%
The District's proportionate share of the net pension asset	\$ 84,601,480	\$ 86,581,974
The District's covered employee payroll	\$121,651,753	\$109,385,735
The District's proportionate share of the net pension asset as a percentage of covered employee payroll	69.54%	79.15%
Plan fiduciary net position as a percentage of the total pension asset	110.46%	111.48%

<u>ERS System - Liability</u>	<u>2016</u>	<u>2015</u>
The District's proportion of the net pension liability	0.1001370%	0.0988918%
The District's proportionate share of the net pension liability	\$ 16,072,264	\$ 3,340,808
The District's covered employee payroll	\$ 26,582,926	\$ 26,226,602
The District's proportionate share of the net pension liability as a percentage of covered employee payroll	60.46%	12.74%
Plan fiduciary net position as a percentage of the total pension	90.70%	97.90%

SACHEM CENTRAL SCHOOL DISTRICT
Required Supplementary Information
Schedule of Employer's Pension Contributions
Year ended June 30, 2016

<u>TRS System</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$21,447,996	18,657,190	16,213,708	15,215,140	12,656,955	8,932,466	10,749,718	12,078,108	12,678,893	12,027,085
Contribution in relation to the contractually required contribution	21,447,996	18,657,190	16,213,708	15,215,140	12,656,955	8,932,466	10,749,718	12,078,108	12,678,893	12,027,085
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Contribution as a percentage of covered employee payroll	17.63%	16.25%	11.84%	11.11%	8.62%	6.19%	7.63%	8.73%	8.60%	7.97%

<u>ERS System</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 4,950,013	4,910,497	6,114,868	5,015,775	4,044,895	3,123,305	1,726,208	1,979,254	2,014,370	2,244,419
Contribution in relation to the contractually required contribution	4,950,013	4,910,497	6,114,868	5,015,775	4,044,895	3,123,305	1,726,208	1,979,254	2,014,370	2,244,419
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Contribution as a percentage of covered employee payroll	18.62%	21.13%	22.15%	18.49%	15.55%	11.72%	6.96%	8.20%	8.81%	10.05%

OTHER SUPPLEMENTARY INFORMATION

SACHEM CENTRAL SCHOOL DISTRICT
 Other Supplementary Information
 Schedule of Change from Adopted Budget to Final Budget and
 the Real Property Tax Law Limit Calculation
 Year ended June 30, 2016

Change from adopted budget to final budget:	
Adopted budget	\$ 296,073,703
Budget amendment modification	<u>2,289,502</u>
Final budget	<u>\$ 298,363,205</u>
Next years vote approved budget	<u>\$ 306,407,294</u>
Use of unreserved fund balance - unassigned fund balance at beginning of year	<u>\$ 16,577</u>
<u>Section 1318 of Real Property Tax Law Limit Calculation</u>	
2017 expenditure budget	<u>\$ 306,407,294</u>
Maximum allowed 4% of 2017 budget	<u>\$ 12,256,292</u>
General fund fund balance subject to Section 1318 of Real Property Tax Law*:	
Unrestricted fund balance - unassigned fund balance	<u>\$ 9,887,651</u>
General fund fund balance subject to Section 1318 of Real Property Tax Law	<u>\$ 9,887,651</u>
Actual percentage	3.23%

- * Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions," updated April 2011 (originally issued November 2010), the portion of [general fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

SACHEM CENTRAL SCHOOL DISTRICT
Other Supplementary Information
Schedule of Project Expenditures - Capital Projects Fund
June 30, 2016

Project Title	Project #	Original Appropriation	Expenditures and Obligations to Date					Methods of Financing			Fund Balance 6/30/2016		
			Transfer	Revised Appropriation	Prior Year's	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid		Local Sources	Total
East lower roof repair	0052	\$ 2,230,000	820,000	3,050,000	2,629,704	-	2,629,704	-	-	-	2,629,704	2,629,704	-
2011-2012 capital improvement program	1211	1,015,418	(6,345)	1,009,073	868,624	-	868,624	-	-	-	868,624	868,624	-
Grundy emergency roof repair	0053	-	150,000	150,000	149,684	-	149,684	-	-	-	149,684	149,684	-
North science rooms	1415	380,000	(53,168)	326,832	326,832	-	326,832	-	-	-	326,832	326,832	-
Total		\$ 3,625,418	910,487	4,535,905	3,974,844	-	3,974,844	-	-	-	3,974,844	3,974,844	-

* This project is included with the reconfiguration projects.

SACHEM CENTRAL SCHOOL DISTRICT
Other Supplementary Information
Net Investment in Capital Assets
Year ended June 30, 2016

Capital assets, net		\$ 203,139,838
Deduct:		
Deferred amounts on refunding	\$ 1,600,000	
Short-term portion of bonds payable	11,550,000	
Long-term portion of bonds payable	140,795,000	
Short-term portion of energy performance contracts	1,088,623	
Long-term portion of energy performance contracts	<u>10,366,091</u>	<u>165,399,714</u>
Net investment in capital assets		<u>\$ 37,740,124</u>

SACHEM CENTRAL SCHOOL DISTRICT
Federal Grant Compliance Audit
June 30, 2016

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

The Board of Education
Sachem Central School District
Lake Ronkonkoma, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of Sachem Central School District (the District), as of and for the year ended June 30, 2016, and the related notes to the basic financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 7, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
Sachem Central School District
Lake Ronkonkoma, New York:

Report on Compliance for Each Major Federal Program

We have audited Sachem Central School District's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Sachem Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 7, 2016

SACHEM CENTRAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of Education</u>				
Passed-through NYS Education Department:				
Special Education Cluster:				
IDEA Part B - Section 611	84.027	0032-15-0880	\$ 154,796	-
IDEA Part B - Section 611	84.027	0032-16-0880	2,871,873	-
IDEA Preschool - Section 619	84.173	0033-15-0880	8,472	-
IDEA Preschool - Section 619	84.173	0033-16-0880	156,477	-
Total Special Education Cluster			3,191,618	-
ESEA - Title I	84.010	0021-15-2975	56,251	-
ESEA - Title I	84.010	0021-16-2975	663,312	-
ESEA - Education for Homeless Children and Youth	84.196	0212-15-4067	994	-
ESEA - Education for Homeless Children and Youth	84.197	0212-16-4067	33,774	-
ESEA III - LEP	84.365	0293-15-2975	6,890	-
ESEA III - LEP	84.365	0293-16-2975	34,863	-
ESEA IIIA - Immigrant Education	84.365	0149-15-2975	1,358	-
ESEA IIIA - Immigrant Education	84.365	0149-16-2975	20,890	-
ESEA IIIA - Immigrant Education Supplement	84.365	0149-16-2975	2,151	-
ESEA Title II A - Improvement	84.367	0147-15-2975	222,653	-
ESEA Title II A - Improvement	84.367	0147-16-2975	385,008	-
Total passed-through NYS Education Department			4,619,762	-
<u>U.S. Department of Agriculture</u>				
Child Nutrition Cluster:				
Passed-through NYS Education Department:				
USDA Breakfast	10.553	N/A	192,430	-
USDA School Lunch Program	10.555	N/A	1,264,944	-
Total passed-through NYS Education Department			1,457,374	-
Direct Program - USDA Food Distribution	10.555	N/A	396,745	-
Total Child Nutrition Cluster			1,854,119	-
<u>U.S. Department of Education</u>				
Carol M. White Physical Ed Program	84.215	Q215F110143	359	-
Total Expenditures of Federal Awards			\$ 6,474,240	-

See accompanying notes to the schedule of expenditures of federal awards.

SACHEM CENTRAL SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2016

(1) Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through other government agencies. The information is presented in accordance with the requirements of the Uniform Guidance.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

(2) Subrecipients

No amounts were provided to subrecipients.

SACHEM CENTRAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
1. Material weakness(ies) identified?	_____ Yes <u> x </u> No
2. Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes <u> x </u> None reported
3. Noncompliance material to financial statements noted?	_____ Yes <u> x </u> No

Federal Awards:

Internal control over major programs:	
4. Material weakness(es) identified?	_____ Yes <u> x </u> No
5. Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes <u> x </u> None reported

Type of auditors' report issued on compliance for major programs:	Unmodified
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6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)(Uniform Guidance)?	_____ Yes <u> x </u> No
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7. The District's major programs audited were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Improving Teacher Quality State Grants	84.367
Child Nutrition Cluster	10.553/10.555

8. Dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
9. Auditee qualified as low-risk auditee?	<u> x </u> Yes _____ No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings and questioned costs.

SACHEM CENTRAL SCHOOL DISTRICT
Status of Prior Audit Findings
Year ended June 30, 2016

There were no audit findings in the prior year financial statements (June 30, 2015).