

SPACKENKILL UNION FREE SCHOOL DISTRICT

**Financial Statements
For the Year Ended June 30, 2016
Together with
Independent Auditor's Report**

SPACKENKILL UNION FREE SCHOOL DISTRICT

JUNE 30, 2016

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SPACKENKILL UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

October 11, 2016

The Board of Education of
Spackenkill Union Free School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of funding progress – other postemployment benefit plans, schedule of proportionate share of net pension liability (asset), and schedule of contributions - pension plans on pages 3 through 13 and 50 through 54 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.

Report on Supplementary 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 supplemental information on pages 55 through 57, as required by the New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis, and is not a required part of the basic financial statements.

The supplementary information included on pages 55 through 57 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016 on our consideration of Spackenkill Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Spackenkill Union Free School District's internal control over financial reporting and compliance.

Bonadio & Co., LLP

SPACKENKILL UNION FREE SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2016

This section of Spackenkill Union Free School District's annual financial report presents its discussion and analysis of financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District continues to offer a sound educational plan that supports student achievement.
- The District's fiscal year 2016 government-wide revenue totaled \$42.9 million (see Table A-4), an increase of approximately 2% from the prior year.
- The total cost of all programs and services totaled \$41.4 million for fiscal year 2016, which represented a \$900 thousand increase from the prior year which was primarily the result of other postemployment and contractual salary increases in the current year. Partially offset by the continued effects of implementation of GASB 68 and 71 as well a significant decrease in health care and retirement benefit costs in the current year.
- At June 30, 2016, the District in its governmental funds reported combined fund balances of \$12.8 million. The General Fund operated at a \$608 thousand surplus. The Capital Projects Fund reported a deficit of \$291 thousand which was primarily the result of the timing of the completion of construction in progress related to the \$2.8 million Energy Performance Contract as funding was received in the prior year but the project was completed in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

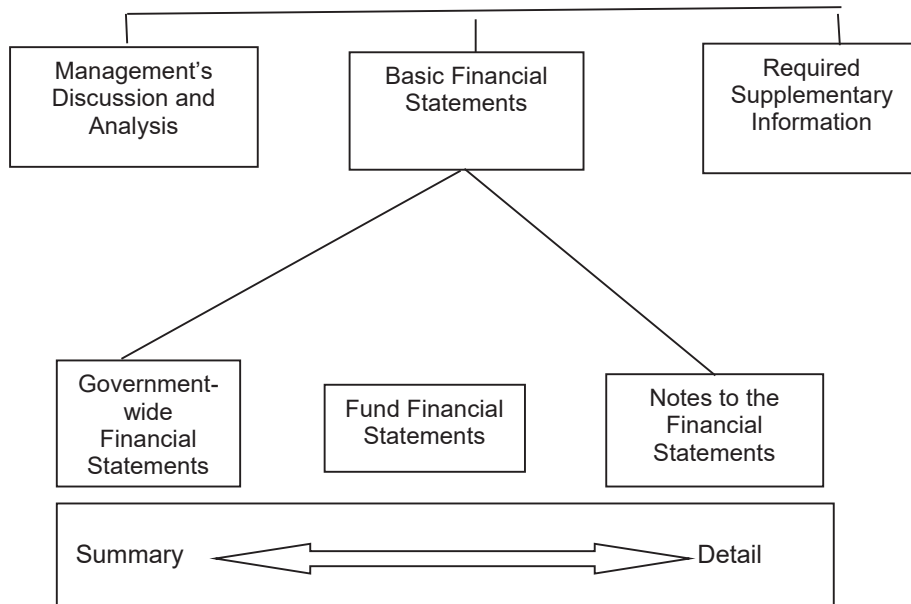
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the operation in more detail than the entity-wide statements.
- The governmental fund statements tell how basic services, such as instruction and support functions, were financed in the short-term, as well as what remains for future spending.
- Fiduciary funds 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 the District.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

	Government-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the School District, such as instruction and special education.	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> • 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 accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows, liabilities and deferred inflows both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

The Government-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 includes all of the District's assets and liabilities. 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 Government-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or *position*.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Statements (Continued)

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

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare 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 function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net Investment in capital assets
 - Restricted net position are those with constraints placed on use by external sources or imposed by law.
 - Unrestricted net position are net position that do not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental funds statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General Fund, Special Aid Fund, School Lunch Fund, Debt Service and the Capital Projects Fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and change in fund balance.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District as a Whole

The District's net position as of June 30, 2016, is detailed in Tables A-3 and A-4.

Table A-3 Condensed Statements of Net position - Governmental Activities (In Millions)
(Rounded)

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Percent <u>Change</u>
Current and other assets	\$ 16.2	\$ 16.6	-2%
Non-Current Assets	<u>30.5</u>	<u>31.6</u>	-3%
Total assets	<u>46.7</u>	<u>48.2</u>	-3%
Deferred outflows of resources	<u>4.3</u>	<u>3.3</u>	29%
Current liabilities	5.1	5.5	-8%
Long-term liabilities	<u>32.7</u>	<u>29.8</u>	10%
Total liabilities	<u>37.8</u>	<u>35.3</u>	7%
Deferred inflows of resources	<u>4.2</u>	<u>8.6</u>	-52%
Net assets:			
Investment in capital assets, net of related debt	5.0	4.0	25%
Restricted	7.5	7.1	6%
Unrestricted	<u>(3.4)</u>	<u>(3.5)</u>	-3%
Total net position	<u>\$ 9.1</u>	<u>\$ 7.6</u>	20%

Per Table A-3, total inflows of resources decreased by \$4.4 million in 2016 which was related to the continued effect of the implementation of GASB 68 and 71.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Analysis of the District as a Whole (Continued)

Table A-4 Changes in Net position from Operating Results Governmental Activities Only (In Millions)(Rounded)

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>
Revenue:		
Charges for services	\$ 0.5	\$ 0.5
Operating grants	0.8	0.7
General revenue:		
Real property taxes	25.8	25.3
Other tax items	6.8	6.8
Use of money and property	0.4	0.4
State sources	8.1	8.0
Other	0.5	0.3
Total revenue	<u>42.9</u>	<u>42.0</u>
Expenses:		
General support	5.4	5.4
Instruction	33.5	32.4
Pupil transportation	1.6	1.7
Debt service	0.4	0.5
Cost of sales school lunch	0.5	0.5
Total expenses	<u>41.4</u>	<u>40.5</u>
(Decrease) in net position	\$ 1.5	\$ 1.5
NET POSITION - beginning of year, as originally restated	7.6	2.9
Cumulative effect of change in accounting principle	<u>-</u>	<u>3.2</u>
TOTAL NET POSITION - beginning of the year, as restated	<u>7.6</u>	<u>6.1</u>
TOTAL NET POSITION - end of year	<u>\$ 9.1</u>	<u>\$ 7.6</u>

Changes in Net position

The District's fiscal year 2016 revenue totaled \$42.9 million (see Table A-4), an increase of approximately \$900 thousand compared to the prior year. The increase was primarily attributable to real property tax revenue increase of 1.7%.

The total cost of all programs and services totaled \$41.4 million for fiscal year 2016. 81% of this was used to support general instruction, (see Table A-6). The District's board of education, administrative, and business activities accounted for 13% of total costs. The District's operating expenses increased approximately \$900 thousand which was primarily the result of other postemployment and contractual salary increases in the current year. Partially offset by the continued effects of implementation of GASB 68 and 71, as well a significant decrease in health care and retirement benefit costs in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-5 Sources of Revenue for Fiscal Year 2016

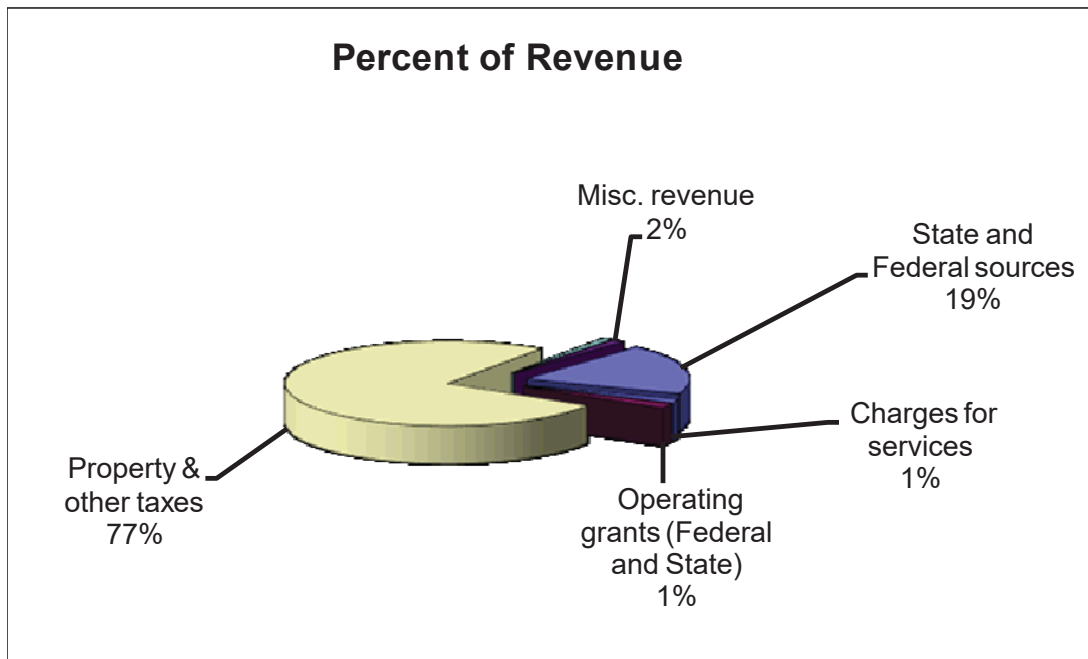
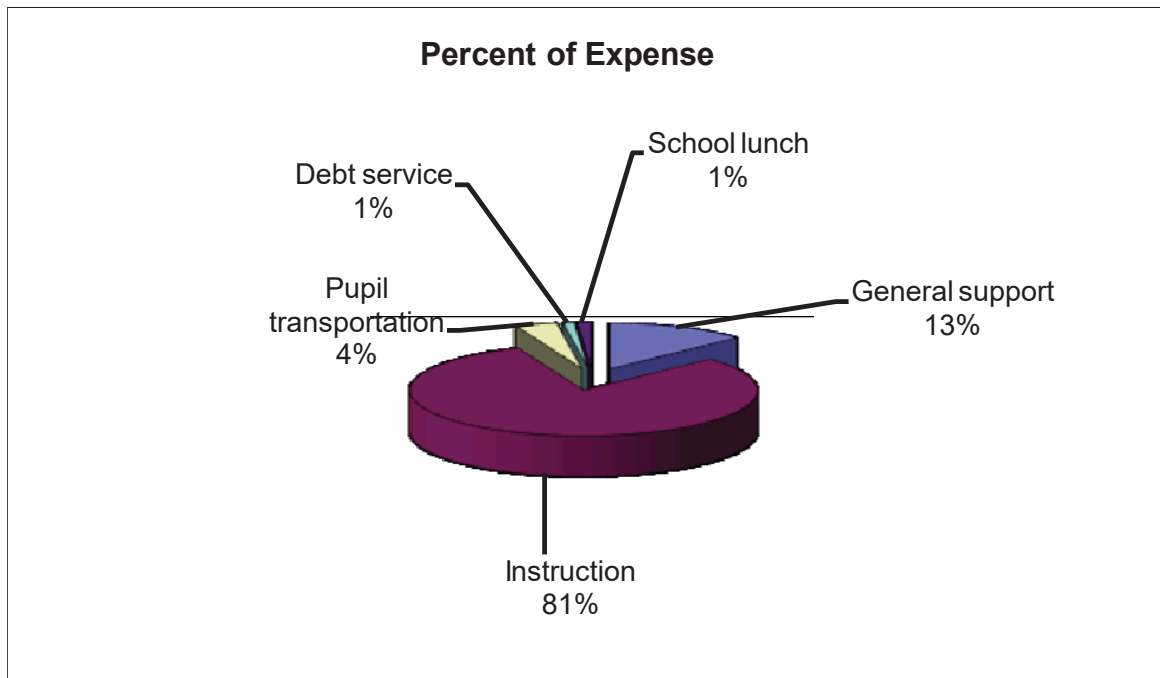


Table A-6 Expenditures for Fiscal Year 2016



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Governmental Activities

Table A-7 presents the cost of five major District activities: General support (administration), instruction, pupil transportation, debt service and school lunch. The table also shows each activity's net cost (total cost less fees generated by the activities and aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Table A-7 Net Cost of Governmental Activities (In Millions)

<u>Category</u>	<u>Total Cost</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net Cost</u>
General support	\$ 5.4	\$ -	\$ -	\$ 5.4
Instruction	33.5	0.2	0.6	32.7
Pupil transportation	1.6	-	-	1.6
Debt service	0.4	-	-	0.4
School lunch	0.5	0.3	0.2	-
Total	<u>\$ 41.4</u>	<u>\$ 0.5</u>	<u>\$ 0.8</u>	<u>\$ 40.1</u>

As shown in Table A-7, the cost of all governmental activities this year was \$41.4 million, of which users and program operating grants from state and federal sources contributed approximately \$1.3 million. The remainder of the costs of \$40.1 million was financed primarily by District taxpayers and general state aid.

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

For a district its size, the District's combined fund balance of \$12.8 million is indicative of a strong financial position. However, with new regulations limiting the increase in tax levies, the District Administration must continue to monitor its operating results and its financial position.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the General Fund.

The General Fund is the only fund for which a budget is legally adopted. For the purposes of the above analysis, the budget columns do not include the appropriated fund balance.

It is noted that instructional expenditures were under budget by \$920 thousand in 2016. Although under budget based on a typical conservative approach, the variance was still significantly lower than compared to the prior year budget and actual variance which is partially related to the unpredictable nature of special education expenses on an ongoing basis. It is also noted that employee benefit expenditures were under budget by approximately \$1.4 million in 2016. This was primarily related to a conservative budget for teacher and employee retirement benefits and for health insurance in 2016. Retirement contribution rates decreased more than anticipated and a restructuring of the health insurance plan after the budget was adopted resulted in additional savings that we not anticipated.

Actual vs. Budget (In Thousands of Dollars)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	Variance <u>(Actual/Budget)</u>
Revenue:					
Local sources	\$ 33,182	\$ 33,190	\$ 33,622	\$ -	\$ 432
State sources	8,072	8,077	7,982	-	(95)
Medicaid reimbursements	-	-	13	-	13
Total	<u>41,254</u>	<u>41,267</u>	<u>41,618</u>	<u>-</u>	<u>351</u>
Expenses:					
General support	4,374	4,524	4,198	64	262
Instruction	24,149	24,073	23,001	152	920
Pupil Transportation	1,464	1,529	1,275	111	143
Employee benefits	11,776	11,844	10,409	2	1,433
Debt service	1,685	1,685	1,884	-	(199)
Transfers (in) and out, net	150	150	242	-	(92)
Total	<u>43,599</u>	<u>43,805</u>	<u>41,009</u>	<u>329</u>	<u>2,467</u>
Revenue over (under) expense	<u>\$ (2,345)</u>	<u>\$ (2,539)</u>	<u>\$ 609</u>	<u>\$ (329)</u>	<u>\$ 2,818</u>

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Capital Assets

By the end of 2016, the District had an investment of \$18.9 million in a broad range of capital assets. The \$2.8 million Energy Performance project was completed in 2016.

Table A-8 Capital Assets (net of depreciation) (In Millions)

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>
Category:		
Land and land improvements	\$ 0.1	\$ 0.1
Construction in progress	-	2.4
Buildings and improvements	18.2	15.9
Furniture and equipment	<u>0.6</u>	<u>0.6</u>
Total	<u>\$ 18.9</u>	<u>\$ 19.0</u>

Long-Term Liabilities

During 2016, the District repaid \$1.4 million of outstanding bonds. Also, the District's OPEB liability increased by 20% to \$17.5 million in the current year which is based on an actuarial valuation. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Table A-9 Outstanding Long-Term Debt (In Millions)

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Percent <u>Change</u>
Category:			
General obligation bonds	\$ 14.5	\$ 15.9	-9%
Energy performance contract	0.2	0.2	-1%
Compensated absences	0.6	0.6	7%
Net pension liability	1.9	0.4	371%
Other postemployment benefits obligation	<u>17.5</u>	<u>14.6</u>	20%
Total	<u>\$ 34.7</u>	<u>\$ 31.7</u>	9%

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Factors Bearing on the Future of The District

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The property tax cap continues to put pressure on school districts to keep increases at very modest levels. This has resulted in less conservative budgeting practices.
- The cost of providing special educational services continues to rise at rates that are higher than other areas.
- Both ERS and TRS rates will decrease in the next fiscal year providing the District with some relief with respect to pension expenditures. This, however, may only be short lived and is completely dependent on the functions of the stock market and its continual increase in rate of returns.
- The District performs multiyear financial planning and has effectively used reserves and financial gains to off-set some future expenditures, which helps to minimize the financial impact to tax payers.

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 the District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact:

Michele Moloney, School Business Manager
Spackenkill Union Free School District
15 Croft Road
Poughkeepsie, NY 12601

SPACKENKILL UNION FREE SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS

CURRENT ASSETS:

Cash - unrestricted	\$ 14,836,237
State and federal aid receivable	1,225,038
Due from fiduciary funds	1,136
Other receivables	144,483
Inventory	21,706
	<hr/>
Total current assets	16,228,600

NON-CURRENT ASSETS:

Net pension asset	11,594,265
Capital assets, net	18,893,748
	<hr/>
Total non-current assets	30,488,013
	<hr/>
Total assets	46,716,613

DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources- TRS Pension	2,380,537
Deferred outflows of resources- ERS Pension	1,922,685
	<hr/>
Total deferred outflows of resources	4,303,222

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES 51,019,835

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	78,359
Accrued liabilities	239,714
Compensated absences due within one year	526,601
Due to Teachers' Retirement System	2,350,913
Due to Employees' Retirement System	168,130
Due to other governments	122
Bonds payable due within one year	1,469,473
Energy performance liability due within one year	30,719
Unearned revenues	54,525
Accrued interest payable	139,754
	<hr/>
Total current liabilities	5,058,310

LONG-TERM LIABILITIES:

Bonds payable	12,999,579
Other postemployment benefits obligation	17,497,647
Energy performance liability	167,602
Net pension liability	1,882,635
Compensated absences liability	124,559
	<hr/>
Total long-term liabilities	32,672,022
	<hr/>
Total liabilities	37,730,332

DEFERRED INFLOWS OF RESOURCES:

Deferred Inflows of resources- ERS Pension	228,714
Deferred Inflows of resources- TRS Pension	3,986,334
	<hr/>
Total deferred inflows	4,215,048

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 41,945,380

NET POSITION

Net Investment in capital assets	4,995,179
Restricted	7,501,722
Unrestricted	(3,422,446)
	<hr/>
Total net position	\$ 9,074,455

The accompanying notes are an integral part of these statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
General support	\$ 5,363,499	\$ -	\$ -	\$ (5,363,499)
Instruction	33,491,517	236,429	640,043	(32,615,045)
Pupil transportation	1,591,828	-	-	(1,591,828)
Debt service - interest	416,541	-	-	(416,541)
Cost of sales - school lunch	<u>531,196</u>	<u>264,213</u>	<u>184,379</u>	<u>(82,604)</u>
Total functions/programs	<u>\$ 41,394,580</u>	<u>\$ 500,642</u>	<u>\$ 824,422</u>	<u>(40,069,516)</u>
GENERAL REVENUE:				
Real property taxes				25,811,176
Other tax items				6,806,013
Use of money and property				359,429
Sale of property				-
Miscellaneous				521,644
State sources				<u>8,062,663</u>
Total general revenue				<u>41,560,925</u>
CHANGE IN NET POSITION				1,491,409
TOTAL NET POSITION - beginning of year				<u>7,583,046</u>
TOTAL NET POSITION - end of year				<u>9,074,455</u>

The accompanying notes are an integral part of these statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
ASSETS:						
Cash - unrestricted	\$ 13,636,293	\$ 399,579	\$ 164,689	\$ 43,530	\$ 592,146	\$ 14,836,237
State and federal aid receivable	922,607	210,081	11,850	-	80,500	1,225,038
Due from other funds	1,246,641	361,768	-	53,717	282,847	1,944,973
Other receivables	139,388	-	5,095	-	-	144,483
Inventory	-	-	21,706	-	-	21,706
TOTAL ASSETS	\$ 15,944,929	\$ 971,428	\$ 203,340	\$ 97,247	\$ 955,493	\$ 18,172,437
LIABILITIES AND FUND BALANCE:						
LIABILITIES:						
Accounts payable	\$ 78,359	\$ -	\$ -	\$ -	\$ -	\$ 78,359
Accrued liabilities	234,602	-	5,112	-	-	239,714
Compensated absences	526,601	-	-	-	-	526,601
Due to other funds	679,482	964,165	113,501	-	186,689	1,943,837
Due to other governments	-	-	122	-	-	122
Due to Teachers' Retirement System	2,350,913	-	-	-	-	2,350,913
Due to Employees' Retirement System	168,130	-	-	-	-	168,130
Deferred revenue	783	7,263	46,479	-	-	54,525
TOTAL LIABILITIES	4,038,870	971,428	165,214	-	186,689	5,362,201
FUND BALANCE:						
Nonspendable:						
Inventory	-	-	21,706	-	-	21,706
Total nonspendable fund balance	-	-	21,706	-	-	21,706
Restricted:						
Unemployment	229,202	-	-	-	-	229,202
Workers' compensation	275,594	-	-	-	-	275,594
Tax certiorari	4,670,271	-	-	-	-	4,670,271
Capital projects	324,206	-	-	-	-	324,206
Insurance	421,537	-	-	-	-	421,537
Retirement contributions	800,912	-	-	-	-	800,912
Employee benefits	780,000	-	-	-	-	780,000
Total restricted fund balance	7,501,722	-	-	-	-	7,501,722
Assigned:						
Appropriated for subsequent year expenditures	2,300,000	-	-	-	-	2,300,000
Other	329,662	-	16,420	97,247	768,804	1,212,133
Total assigned fund balance	2,629,662	-	16,420	97,247	768,804	3,512,133
Unassigned:						
	1,774,675	-	-	-	-	1,774,675
Total fund balance	11,906,059	-	38,126	97,247	768,804	12,810,236
Total liabilities and fund balance	\$ 15,944,929	\$ 971,428	\$ 203,340	\$ 97,247	\$ 955,493	\$ 18,172,437

SPACKENKILL UNION FREE SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016

Amounts reported for *governmental activities* in the statement of net position are different because:

Total governmental fund balances	\$ 12,810,236
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government fund financial statements	18,893,748
GASB 68 related government wide activity	
Net pension asset	11,594,265
Deferred outflows of resources	4,303,222
Net pension liability	(1,882,635)
Deferred inflows of resources	(4,215,048)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the government fund financial statements	(14,469,052)
Interest payable at June 30, 2016, reported in the government-wide statements under full accrual accounting	(139,754)
Other postemployment benefits obligation at June 30, 2016, in government-wide statements under full accrual accounting	(17,497,647)
Energy performance liability at June 30, 2016, in government-wide statements under full accrual accounting	(198,321)
Compensated absences at June 30, 2016, in government-wide statements under full accrual accounting	<u>(124,559)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 9,074,455</u>

SPACKENKILL UNION FREE SCHOOL DISTRICT

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Fund Types					Total Government Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
REVENUE:						
Real property taxes	\$ 25,811,176	\$ -	\$ -	\$ -	\$ -	\$ 25,811,176
Other tax items	6,806,013	-	-	-	-	6,806,013
Charges for services	236,429	-	-	-	-	236,429
Use of money and property	358,924	-	51	454	-	359,429
Miscellaneous	409,670	-	19,811	-	78,738	508,219
State sources	7,982,163	189,166	7,550	-	80,500	8,259,379
Federal sources	-	450,877	176,829	-	-	627,706
Medicaid Reimbursement	13,425	-	-	-	-	13,425
Sales - School lunch	-	-	264,213	-	-	264,213
Total revenue	41,617,800	640,043	468,454	454	159,238	42,885,989
EXPENDITURES:						
General support	4,197,539	-	-	-	-	4,197,539
Instruction	23,000,969	635,805	-	-	-	23,636,774
Pupil transportation	1,275,068	50,557	-	-	-	1,325,625
Employee benefits	10,409,117	-	71,527	-	-	10,480,644
Debt service - Principal	1,451,148	-	-	-	-	1,451,148
Debt service - Interest	433,178	-	-	-	-	433,178
Cost of sales	-	-	416,243	-	-	416,243
Capital outlay	-	-	-	-	828,463	828,463
Total expenditures	40,767,019	686,362	487,770	-	828,463	42,769,614
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	850,781	(46,319)	(19,316)	454	(669,225)	116,375
OTHER FINANCING SOURCES AND (USES):						
Transfers in	202,282	46,319	20,000	-	378,335	646,936
Transfers out	(444,654)	-	-	(202,282)	-	(646,936)
Total other financing sources (uses)	(242,372)	46,319	20,000	(202,282)	378,335	-
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	608,409	-	684	(201,828)	(290,890)	116,375
FUND BALANCE - beginning of year	11,297,650	-	37,442	299,075	1,059,694	12,693,861
FUND BALANCE - end of year	\$ 11,906,059	\$ -	\$ 38,126	\$ 97,247	\$ 768,804	\$ 12,810,236

SPACKENKILL UNION FREE SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES-GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

Net changes in fund balance - Total governmental funds	\$ 116,375
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	816,639
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(945,580)
Pension expense resulting from GASB 68 related pension actuary reporting is not recorded as an expenditure in the government funds, but is recorded in the statement of activities	2,940,032
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net assets:	1,451,148
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:	
Other postemployment benefits obligation	(2,902,353)
Accrued interest payable	16,637
Compensated absences	<u>(1,489)</u>
Change in net position - Governmental activities	<u>\$ 1,491,409</u>

SPACKENKILL UNION FREE SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2016

	Private Purpose <u>Trusts</u>	<u>Agency</u>
ASSETS:		
Cash	\$ 38,431	\$ 345,415
Extraclassroom cash	-	78,041
Due from other funds	-	<u>369</u>
Total assets	<u>38,431</u>	<u>423,825</u>
LIABILITIES:		
Extraclassroom activity balances	-	78,041
Due to other funds	-	1,505
Other liabilities	-	<u>344,280</u>
Total liabilities	<u>-</u>	<u>\$ 423,826</u>
NET POSITION:		
Reserved for scholarships	<u>\$ 38,431</u>	

The accompanying notes are an integral part of these statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Private Purpose <u>Trusts</u>
ADDITIONS	
Gifts, contributions, fundraising and interest	\$ <u> -</u>
DEDUCTIONS	
Scholarships, activity expenditures and awards	<u> (282)</u>
CHANGE IN NET POSITION	(282)
NET POSITION - beginning of year	<u> 38,713</u>
NET POSITION - end of year	<u><u> \$ 38,431</u></u>

The accompanying notes are an integral part of these statements.

SPACKENKILL UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

1. NATURE OF OPERATIONS

Spackenkill Union Free School District (School District or District) provides K-12 public education to students living within its geographic borders.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. 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 School District are described below:

Reporting Entity

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

Extraclassroom Activity Funds

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

Joint Venture

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture (Continued)

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.

BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school 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 school districts pay tuition or a service fee for programs in which its students participate.

Basis of Presentation

The District's financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund level financial statements which provide more detailed information

Government-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.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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.

Fund Financial Statements

The fund financial statements provide information about the School 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 determined based on criteria established by GASB, each displayed in a separate column.

The School District reports the following major governmental funds:

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

- **Special Revenue Funds:** These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. The School District uses two special revenue type funds - special aid and school lunch.
- **Debt Service Fund:** This fund is used to account for the financial resources used to make debt service payments on the District's outstanding bonds and state loans.
- **Capital Projects Fund:** These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds.

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

There are two classes' fiduciary funds:

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

Use of Estimates

The preparation of financial statements in conformity with (GAAP) 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 expenditures during the reporting period. Actual results could differ from those estimates.

Measurement Focus and Basis of Accounting

The Government-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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

The governmental 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 School District considers all revenue reported in the governmental funds to be available if the revenue is expected to be collected within sixty 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.

Cash

The School District's cash consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School 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.

Property Taxes

Real property taxes are levied annually by the board of education no later than September 1, and become a lien on August 31. Taxes were collected during the period September 1 to November 1.

Uncollected real property taxes are subsequently enforced by the County of Dutchess (the County), in which the School District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the School District no later than the following April 1.

The School District received approximately \$4,400,000 during the 2015-2016 fiscal year representing the third installment on a 15-year Payment in Lieu of Taxes (PILOT) agreement from IBM; as per the PILOT agreement between IBM and the Town of Poughkeepsie. The second year's payment made up approximately 10% of the voter approved General fund budget.

Accounts Receivable

The District records bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would be obtained under the allowance method.

Inventories and Prepaid Items

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

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

In the Government-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.

A detailed description of the individual fund balances at year-end is provided subsequently in Note 9.

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. Donated assets are reported at estimated fair market value at the time received.

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 Government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000	N/A	N/A
Buildings and improvements	\$ 5,000	SL	20 - 50
Furniture and equipment	\$ 5,000	SL	5 - 20

Vested Employee Benefits

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions. Consistent with GAAP, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vested Employee Benefits (Continued)

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School 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 School District and the retired employee. The District pays 0-100% of the cost of premiums to an insurance company that provides health care insurance. There are currently 182 retirees receiving benefits under the plan.

Unearned Revenue

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

Statute provides the authority for the School 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.

Accrued Liabilities and Long-Term Obligations

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

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

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the School 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate financial statement element, *deferred outflows of resources*, which is presented directly after assets and *deferred inflows of resources*, which is presented directly after liabilities. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

Net Position/Fund Balance Classifications

Government-wide statements

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

Net Investment in capital assets - consists of net capital assets (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements 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 and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted net position consists of the following:

Unemployment	\$	229,202
Workers' compensation		275,594
Tax certiorari		4,670,271
Capital projects		324,206
Insurance		421,537
Retirement		800,912
Employee benefits		<u>780,000</u>
Total restricted net assets	\$	<u>7,501,722</u>

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

Governmental Fund Statements

In the fund basis statements there are five classifications of fund balance:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually are required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund.

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance Classifications (Continued)

Governmental Fund Statements (Continued)

The School District has available the following restricted fund balances:

Capital

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

Repair

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

Workers' Compensation

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

Unemployment Insurance

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

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. The reserve is accounted for in the debt service fund under the restricted fund category.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance Classifications (Continued)

Governmental Fund Statements (Continued)

Insurance

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

Liability Claims and Property Loss

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund under restricted fund balance.

Employee Benefits and Accrued Liability

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

Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

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, committed or assigned fund balance based on the constraints on the use of these funds.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance Classifications (Continued)

Governmental Fund Statements (Continued)

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2016.

Assigned fund balance - Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. There was an amount designated for subsequent year's expenditures in the general fund of \$2,300,000. As of June 30, 2016, the School District's encumbrances were classified as follows:

General fund encumbrances:

General Support	\$	64,342
Instruction		152,172
Transportation		110,820
Employee Benefits		<u>2,328</u>
Total General fund encumbrances	\$	<u>329,662</u>

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determine next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Government-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.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND SCHOOL GOVERNMENT-WIDE STATEMENTS (Continued)

Total Fund Balances of Governmental Funds vs. Net position of Governmental Activities

Total fund balances of the School District's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Change in Fund Balance vs. Statement of Activities

The "excess of revenues and other sources over expenditures and other uses" of the School District's governmental funds differ from the "change in net position" of governmental activities reported on the Statement of Activities. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus on the governmental funds.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is 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.

Capital Related Differences

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

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures, (and encumbrances), that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets (Continued)

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

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

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

5. CASH

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. 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 in Note 2.

Custodial Credit Risk - Deposits

As of June 30, 2016, the carrying amount of the District's cash was \$15,298,124 and was exposed to custodial credit risk as follows:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	<u>\$ 16,871,879</u>	<u>\$ 15,298,124</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 16,292,187	
Covered by FDIC insurance	<u>579,692</u>	
Total	<u>\$ 16,871,879</u>	

5. CASH (CONTINUED)

Collateral is required for time deposits and certificates of deposit at 102% of all deposits not covered by the federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and towns. The District did not have all of its deposits fully collateralized in one financial institution at year end.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

6. PARTICIPATION IN BOCES

During the year, the School District was billed \$3,280,519 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$1,543,735. Financial statements for BOCES are available from the BOCES administrative office.

7. CAPITAL ASSETS, NET

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

	July 1, 2015 <u>Balance</u>	Additions or <u>Transfers in</u>	Disposals or <u>Transfers out</u>	June 30, 2016 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 121,545	\$ -	\$ -	\$ 121,545
Construction in process	<u>2,373,124</u>	<u>-</u>	<u>2,373,124</u>	<u>-</u>
Total non-depreciable cost	<u>2,494,669</u>	<u>-</u>	<u>2,373,124</u>	<u>121,545</u>
Capital assets that are depreciated:				
Buildings and improvements	29,170,067	3,061,597	-	32,231,664
Furniture and equipment	<u>2,308,642</u>	<u>128,166</u>	<u>-</u>	<u>2,436,808</u>
Total depreciable historical cost	<u>31,478,709</u>	<u>3,189,763</u>	<u>-</u>	<u>34,668,472</u>
Less accumulated depreciation:				
Buildings and improvements	13,193,033	852,761	-	14,045,794
Furniture and equipment	<u>1,757,656</u>	<u>92,819</u>	<u>-</u>	<u>1,850,475</u>
Total accumulated depreciation	<u>14,950,689</u>	<u>945,580</u>	<u>-</u>	<u>15,896,269</u>
Total capital assets, net	<u>\$ 19,022,689</u>	<u>\$ 2,244,183</u>	<u>\$ 2,373,124</u>	<u>\$ 18,893,748</u>

Depreciation expense for the year ended June 30, 2016, was allocated to specific functions as follows:

General support	\$ 134,200
Instruction	755,690
Pupil transportation	42,382
School Lunch	<u>13,308</u>
Total depreciation	<u>\$ 945,580</u>

8. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid - Long-term debt	\$ 433,178
Less: Interest accrued in the prior year	(156,391)
Plus: Interest accrued in the current year	<u>139,754</u>
Total Expense	<u>\$ 416,541</u>

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and notes payable:					
Serial bonds	\$ 13,169,813	\$ -	\$ 1,265,000	\$ 11,904,813	\$ 1,310,000
Ameresco energy bond	<u>2,719,206</u>	<u>-</u>	<u>154,967</u>	<u>2,564,239</u>	<u>159,473</u>
Total Bonds and notes payable	15,889,019	-	1,419,967	14,469,052	1,469,473
Energy performance contract	229,502	-	31,181	198,321	30,719
Other postemployment benefits	14,595,294	2,902,353	-	17,497,647	-
Net pension liability	405,004	1,477,631	-	1,882,635	-
Compensated absences	<u>564,260</u>	<u>86,900</u>	<u>-</u>	<u>651,160</u>	<u>526,601</u>
Total long-term liabilities	<u>\$ 31,683,079</u>	<u>\$ 4,466,884</u>	<u>\$ 1,451,148</u>	<u>\$ 34,698,815</u>	<u>\$ 2,026,793</u>

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2016 Balance</u>
Serial Bond	7/15/2007	2023	4.25%	1,205,000
Serial Bond	11/17/2010	2021	4.00%	1,170,000
Serial Bond	9/23/2010	2026	2.00-3.00%	7,665,000
Serial Bond	3/19/2013	2026	2.00%	1,864,813
Ameresco energy bond	8/1/2014	2030	2.73%	<u>2,564,239</u>
Total bond issue				<u>\$ 14,469,052</u>
Energy Performance Contract:	2004	2022	0.70%	<u>\$ 198,321</u>

8. LONG-TERM DEBT (Continued)

The following is a summary of the maturity of bonds payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,469,473	\$ 392,690	\$ 1,862,163
2018	1,513,851	351,933	1,865,784
2019	1,573,347	309,635	1,882,982
2020	1,327,967	264,834	1,592,801
2021	1,372,715	228,348	1,601,063
2022-2026	6,454,284	559,889	7,014,173
2027-thereafter	<u>757,415</u>	<u>41,841</u>	<u>799,256</u>
Totals	<u>\$ 14,469,052</u>	<u>\$ 2,149,170</u>	<u>\$ 16,618,222</u>

Energy Performance Payable

During 2004, the School District entered into an Energy Performance Contract financing arrangement with a bank for the acquisition of energy efficient equipment to assist the School District in reducing its ongoing energy costs. The financing agreement qualifies as a capital lease with annual installments estimated at \$29,000-\$33,000 per year, including a variable interest rate, currently 0.70% for the year ended June 30, 2016.

The following is the net present value of minimum lease payments as of June 30, 2016:

<u>Year Ending June 30,</u>	<u>Long-Term Debt Date</u>
2017	\$ 31,829
2018	31,829
2019	31,829
2020	31,829
2021-2023	<u>92,837</u>
Minimum Lease Payment- Capital Leases	220,153
Less: Amount representing 0.70% per annum	<u>21,832</u>
Present Value-Minimum Lease Payments	<u>\$ 198,321</u>

9. INTERFUND BALANCES AND ACTIVITY

	Interfund		Transfers	
	<u>Payable</u>	<u>Receivable</u>	<u>In</u>	<u>Out</u>
General fund	\$ 679,482	\$ 1,246,641	\$ 202,282	\$ 444,654
Special aid fund	964,165	361,768	46,319	-
School lunch fund	113,501	-	20,000	-
Debt service fund	-	53,717	-	202,282
Capital fund	186,689	282,847	378,335	-
Trust and agency fund	<u>1,505</u>	<u>369</u>	<u>-</u>	<u>-</u>
Total government activities	<u>\$ 1,945,342</u>	<u>\$ 1,945,342</u>	<u>\$ 646,936</u>	<u>\$ 646,936</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

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

10. PENSION PLANS

New York State Employees' Retirement System

The District participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing 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), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (NYRSSL). Once an employer elects to participate in the System, the election is irrevocable.

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

10. PENSION PLANS (Continued)

Contributions

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27th 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, (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>NYSERS</u>	
2016	\$	602,888
2015	\$	672,874
2014	\$	655,398

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

At June 30, 2016, the District reported a liability of \$1,882,635 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016, the District's proportion was 0.0117296 percent, which was a decrease from its proportion measured June 30, 2015 of .00119886 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$715,498. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,513	\$ 223,155
Changes in assumptions	502,042	-
Net difference between projected and actual earnings on pension plan investments	1,116,882	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	126,118	5,559
Contributions subsequent to the measurement date	168,130	-
Total	<u>\$ 1,922,685</u>	<u>\$ 228,714</u>

Of the total reported as deferred outflows of resources, \$168,130 related to the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

10. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2017	\$	390,869
2018	\$	390,869
2019		390,869
2020		353,234
2021		-
Thereafter		-
	\$	<u>1,525,841</u>

Actuarial Assumptions

The total pension liability at March 31, 2016, was determined by using an actuarial valuation as of April 1, 2015, with updated procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8 percent indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2010 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

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

10. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

Long Term Expected Rate of Return		
<u>Asset Type</u>	<u>2016</u>	<u>2015</u>
Domestic Equity	7.3%	7.3%
International Equity	8.6%	8.6%
Private Equity	11.0%	11.0%
Real Estate	8.3%	8.3%
Absolute Return Strategies	6.8%	6.8%
Opportunistic Portfolio	8.6%	8.6%
Real Assets	8.7%	8.7%
Bonds & Mortgages	4.0%	4.0%
Cash	2.3%	2.3%
Inflation-Indexed Bonds	4.0%	4.0%

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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 Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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

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 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) or 1 percent higher (8.0%) than the current rate:

	1% Decrease <u>6.00%</u>	Current Discount <u>7.00%</u>	1% Increase <u>8.00%</u>
Proportionate Share of Net Pension liability (asset)	\$ 4,245,203	\$ 1,882,634	\$ (113,636)

10. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2016 were as follows:

Pension Plan Fiduciary Net Position

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 172,303,544,000	\$ 20,210,516	0.0117296%
Net position	(156,253,265,000)	(18,327,883)	0.0117296%
Net pension liability (asset)	<u>\$ 16,050,279,000</u>	<u>\$ 1,882,634</u>	0.0117296%
Fiduciary net position as a percentage of total pension liability	90.7%	90.7%	

New York State Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

10. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Contributions - Continued

The District is required to contribute at an actuarially determined rate. The District contributions made to the systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>NYSTRS</u>	
2016	\$	3,009,445
2015	\$	2,781,854
2014	\$	1,967,702

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

At June 30, 2016, the District reported an asset of \$11,594,265 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016, the District's proportion was 0.111625 percent, which was a decrease from its proportion measured June 30, 2015 of 0.112882 percent.

For the year ended June 30, 2016, the District recognized pension expense (income) of (\$699,393). At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 321,327
Net difference between projected and actual earnings on pension plan investments	-	3,665,007
Changes in proportion and differences between the District's contributions and proportionate share of contributions	82,986	-
Contributions subsequent to the measurement date	<u>2,297,551</u>	<u>-</u>
Total	<u>\$ 2,380,537</u>	<u>\$ 3,986,334</u>

10. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

The \$2,295,552 reported as deferred outflows of resources related to pensions resulted from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2016	\$	(1,468,029)
2017		(1,468,029)
2018		(1,468,029)
2019		619,720
2020		(29,840)
Thereafter		(89,143)
	\$	<u>(3,903,350)</u>

Actuarial Assumptions

The total pension liability at the June 30, 2015, measurement date was determined by an actuarial valuation as of June 30, 2014, with updated procedures used to roll forward the total pension liability to June 30, 2015. Total pension liability at the June 30, 2014, measurement date was determined by an actuarial valuation as of June 30, 2013, with updated procedures used to roll forward the total pension liability to June 30, 2014. These actuarial valuations used the following actuarial assumptions:

Inflation	3.00%
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

<u>Age</u>	<u>Female</u>	<u>Male</u>
25	10.35%	10.91%
35	6.26%	6.27%
45	5.39%	5.04%
55	4.42%	4.01%

Projected COLAs	1.625% compounded annually
Investment Rate of Return	8.0% compounded annually, net of pension plan investment expense, including inflation.

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

The actuarial assumptions used in the June 30, 2014 and 2013 valuations were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

10. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Actuarial Assumptions (Continued)

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

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>2014</u>
Domestic Equity	6.5%
International Equity	7.7%
Real Estate	4.6%
Alternative Investments	9.9%
Domestic Fixed Income Securities	2.1%
Global Fixed Income Securities	1.9%
Mortgages	3.4%
Short-term	1.2%

Discount Rate

The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

10. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

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

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

Share of the net Pension Liability to the Discount Rate Assumption

	1% Decrease <u>7.00%</u>	Current Discount <u>8.00%</u>	1% Increase <u>9.00%</u>
Proportionate Share of Net Pension liability (asset)	\$ 790,878	\$ (11,594,265)	\$ (22,156,191)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers as June 30, 2016, were as follows:

Pension Plan Fiduciary Net Position

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 99,332,103,743	\$ 110,879,461	0.1116250%
Net position	(109,718,916,659)	(122,473,741)	0.1116250%
Net pension liability (asset)	<u>\$ (10,386,812,916)</u>	<u>\$ (11,594,280)</u>	0.1116250%
Fiduciary net position as a percentage of total pension liability		110.5%	110.5%

11. POSTEMPLOYMENT BENEFITS

Plan Description

The District provides for postretirement medical benefits to retiring employees after 10 years of service. When a retiree reaches age 65, Medicare will provide primary coverage, except as otherwise provided by law. Dental and life insurance benefits are available with select individuals and classes of employees. The Plan can be amended by action of the District through agreements with different bargaining units. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation:

Annual required contribution	\$ 3,554,293
Interest on net OPEB obligation	729,765
Adjustment to ARC	<u>261,151</u>
Annual OPEB cost	4,545,209
Contributions made	<u>(1,642,856)</u>
Increase in net OPEB obligation	2,902,353
Net OPEB obligation - beginning of year	<u>14,595,294</u>
Net OPEB obligation - end of year	<u>\$ 17,497,647</u>
Percentage of Annual OPEB Cost Contributed	36.1%

Trend Information

The School District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	OPEB Cost <u>Contributed</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2016	\$ 4,545,209	\$ 1,642,856	36%	\$ 17,497,647
6/30/2015	\$ 4,297,576	\$ 1,577,856	37%	\$ 14,595,294
6/30/2014	\$ 3,383,314	\$ 1,249,937	37%	\$ 11,875,574

11. POSTEMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

As of the date of these financial statements, New York State did not yet have legislation that would enable government entities to establish a Governmental Accounting Standards Board (GASB) qualifying trust for the purpose of funding OPEB benefits. The funding progress schedule is presented as required supplementary information after the footnotes to the financial statements.

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	5.0%
Medical care cost trend rate	9.0% initially. The rate is reduced by decrements to an ultimate rate of 5.0%.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Closed

* As the plan is unfunded, the assumed discount rate considers that the District's investment assets are low risk in nature, such as money market funds or certificates of deposit.

12. RISK MANAGEMENT

The School 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 are expected to exceed commercial insurance coverage.

Health Insurance

The School District participates in a Health Consortium, a non-risk retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 27 individual governmental units located within the pool's geographic area, as is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the District has essentially transferred all related risk to the pool. The District also offers to its employees and eligible retirees community rated insurance programs through commercial carriers.

Workers Compensation

Spackenkill Union Free School District participates in a risk-sharing pool, New York State Public Schools Statewide Workers' Compensation Trust, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risk related to workers' compensation claims.

13. CONTINGENCIES

Litigation

The School District has been named as defendant in several tax certiorari cases. A review by management and the School District's attorneys indicate that the total projected settlement within the next five fiscal years could be approximately \$4.7 million.

Other Contingencies

The School 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 School District's administration believes disallowances, if any, will be immaterial.

14. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The District is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

14. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED (Continued)

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, which improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public presently. Users will be better equipped to understand 1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition. The District is required to adopt the provisions of this Statement for the year ending June 30, 2018, with early implementation encouraged.

The District has not assessed the impact of these statements on its future financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

SPACKENKILL UNION FREE SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016**

REVENUE	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
LOCAL SOURCES:					
Real property taxes	\$ 25,797,623	\$ 25,797,623	\$ 25,811,176	\$ -	\$ 13,553
Other tax items	6,806,900	6,806,900	6,806,013	-	(887)
Charges for services	60,000	60,000	236,429	-	176,429
Use of money and property	317,000	317,000	358,924	-	41,924
Miscellaneous	<u>200,500</u>	<u>208,591</u>	<u>409,670</u>	-	<u>201,079</u>
Total local sources	33,182,023	33,190,114	33,622,212	-	432,098
State sources	8,072,171	8,076,671	7,982,163	-	(94,508)
Medicaid reimbursement	-	-	<u>13,425</u>	-	<u>13,425</u>
Total revenue	<u>41,254,194</u>	<u>41,266,785</u>	<u>41,617,800</u>	-	<u>351,015</u>

SPACKENKILL UNION FREE SCHOOL DISTRICT

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDING JUNE 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	53,014	51,690	43,227	350	8,113
Central administration	245,260	251,656	250,700	-	956
Finance	546,273	576,314	537,007	21,550	17,757
Staff	195,676	206,476	184,110	-	22,366
Central services	2,867,531	2,871,759	2,653,054	41,692	177,013
Special items	466,644	566,526	529,441	750	36,335
Total general support	4,374,398	4,524,421	4,197,539	64,342	262,540
INSTRUCTION:					
Instruction, administration, and improvement	1,433,889	1,448,608	1,359,949	20,000	68,659
Teaching - Regular school	14,275,818	14,085,221	13,383,468	27,814	673,939
Programs for children with handicapping conditions	4,038,894	3,952,567	3,837,422	36,910	78,235
Occupational education	373,466	400,080	400,080	-	-
Teaching - Special school	115,653	113,457	89,827	-	23,630
Instructional media	1,568,061	1,644,793	1,597,921	34,943	11,929
Pupil services	2,342,631	2,428,314	2,332,302	32,505	63,507
Total instruction	24,148,412	24,073,040	23,000,969	152,172	919,899
Pupil transportation	1,464,472	1,528,816	1,275,068	110,820	142,928
Employee benefits	11,775,867	11,843,988	10,409,117	2,328	1,432,543
Debt service	1,685,000	1,685,000	1,884,326	-	(199,326)
Total expenditures	43,448,149	43,655,265	40,767,019	329,662	2,558,584
Excess (deficiency) of revenue over expenditures	(2,193,955)	(2,388,480)	850,781	(329,662)	2,909,599
OTHER FINANCING SOURCES (USES):					
Transfers in (out),net	(150,000)	(150,000)	(242,372)	-	(92,372)
Total other financing sources	(150,000)	(150,000)	(242,372)	-	(92,372)
NET CHANGE IN FUND BALANCES	(2,343,955)	(2,538,480)	608,409	(329,662)	2,817,227
FUND BALANCES - beginning of year	11,297,650	11,297,650	11,297,650	-	-
FUND BALANCE - ending	\$ 8,953,695	\$ 8,759,170	\$ 11,906,059	\$ (329,662)	\$ 2,817,227

The accompanying notes are an integral part of these statements

SPACKENKILL UNION FREE SCHOOL DISTRICT

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a percentage of Covered Payroll
July 1, 2015	\$ -	\$ 58,663,857	\$ 58,663,857	0%	\$ 21,906,855	267.79%
July 1, 2014	\$ -	\$ 55,284,015	\$ 55,284,015	0%	\$ 21,138,913	261.53%
July 1, 2013	\$ -	\$ 44,464,848	\$ 44,464,848	0%	\$ 21,251,266	209.23%
July 1, 2012	\$ -	\$ 41,775,241	\$ 41,775,241	0%	\$ 20,663,477	202.17%

SPACKENKILL UNION FREE SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0117296%	0.0119886%								
Proportionate share of the net pension liability (asset)	\$1,883	\$405								
Covered-employee payroll	\$3,369	\$3,302								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	55.87%	12.27%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.66%	97.95%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NEW YORK STATE TEACHER RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.111625%	0.112882%								
Proportionate share of the net pension liability (asset)	\$ 11,594	\$ 12,574								
Covered-employee payroll	\$ 16,768	\$ 16,674								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	69.15%	75.41%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.46%	111.48%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

SPACKENKILL UNION FREE SCHOOL DISTRICT

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 603	\$ 673								
Contributions in relation to the contractually required contribution	603	673								
Contribution deficiency (excess)	-	-								
Covered-employee payroll	\$3,369	\$3,302								
Contributions as a percentage of covered-employee payroll	17.89%	20.38%								
<div style="border: 1px solid black; padding: 10px; background-color: #e0e0e0;"> <p>Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.</p> </div>										
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 2,939	\$ 2,710								
Contributions in relation to the contractually required contribution	2,939	2,710								
Contribution deficiency (excess)	-	-								
Covered-employee payroll	\$ 16,768	\$ 16,674								
Contributions as a percentage of covered-employee payroll	17.53%	16.25%								
<div style="border: 1px solid black; padding: 10px; background-color: #e0e0e0;"> <p>Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.</p> </div>										

**SUPPLEMENTARY INFORMATION
(UNAUDITED)**

SPACKENKILL UNION FREE SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2016

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 43,434,194
Add: Prior year's encumbrances	<u>163,955</u>
Original budget	43,598,149
Budget revision	<u>207,116</u>
Final budget	<u>\$ 43,805,265</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 voter-approved expenditure budget	\$ 44,390,592
Maximum allowed (4% of 2016-17 budget)	1,775,624
General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law*	
Unrestricted fund balance:	
Assigned fund balance	\$ 2,629,662
Unassigned fund balance	<u>1,774,675</u>
Total unrestricted fund balance	\$ 4,404,337
Less:	
Appropriated fund balance	2,300,000
Encumbrances included in committed and assigned fund balance	<u>329,662</u>
Total adjustments	<u>\$ 2,629,662</u>
	<u>\$ 1,774,675</u>
Actual percentage	4.00%

* 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.

SPACKENKILL UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016

	Authorization			Expenditures and Transfers to Date			Methods of Financing				Fund Balance at 2016
	Original Appropriation	Revised Appropriation	Prior Years' Expenditures	Current Year's Expenditures	Total Expenditures	Available Balance	Proceeds of Obligations	Local Sources	Transfers In	Total	
Capital Improvement-High School	\$ 13,934,000	\$ 14,226,446	\$ 10,457,310	\$ -	\$ 10,457,310	\$ 3,769,136	\$ 10,237,972	\$ 804,497	\$ -	\$ 11,042,469	\$ 585,159
Capital Improvement-Energy Performance	2,798,596	2,798,596	2,358,171	440,424	2,798,595	1	2,798,596	78,488	-	2,877,084	78,489
Capital Improvement-Martha Lawrence	100,000	100,000	90,015	-	90,015	9,985	-	102,481	-	102,481	12,466
Capital Improvement-Smart Schools Equipment	-	85,000	-	80,500	80,500	4,500	-	80,500	-	80,500	-
Capital Improvement-Various Projects	487,120	559,516	78,356	307,539	385,895	173,621	-	250	478,335	478,585	92,690
Total	\$ 17,319,716	\$ 17,769,558	\$ 12,983,852	\$ 828,463	\$ 13,812,315	\$ 3,957,243	\$ 13,036,568	\$ 1,066,216	\$ 478,335	\$ 14,581,119	\$ 768,804

SPACKENKILL UNION FREE SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED) JUNE 30, 2016

Capital assets, net	\$ 18,893,748
Deduct:	
Short-term portion of capital lease	30,719
Long-term portion of capital lease	167,602
Short-term portion of bonds payable	1,469,473
Long-term portion of bonds payable	12,999,579
Less: Unspent bond proceeds	<u>(768,804)</u>
	<u>13,898,569</u>
Net Investment in capital assets	<u>\$ 4,995,179</u>

The accompanying notes are an integral part of these schedules.

REQUIRED REPORTS

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

October 11, 2016

The Board of Education of
Spackenkill Union Free School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Spackenkill Union Free School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 11, 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 opinions 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

(Continued)

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Bonadio & Co., LLP

SPACKENKILL UNION FREE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2016

Section I—Financial Statement Findings

There were no instances of significant deficiencies, material weaknesses, or noncompliance that are required to be reported under *Government Auditing Standards*.

Section II—Status of Prior Year Findings

There were no prior year findings.