



**EAST MORICHES
UNION FREE SCHOOL DISTRICT**

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

June 30, 2015

EAST MORICHES UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
East Moriches Union Free School District
East Moriches, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*, as of June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress for other postemployment benefits (OPEB), District's proportionate share of the net pension liability/(asset), and District's contributions on pages 3 through 18 and 55 through 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Moriches Union Free School District's basic financial statements. The other supplementary information on pages 59 through 61 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015, on our consideration of the East Moriches 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Moriches Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 29, 2015

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

The East Moriches Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and fund based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

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

- The District's total net position (deficit) at June 30, 2014 was restated and decreased by a net amount of \$821,407 primarily as a result of the required implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27* ("GASB No. 68") and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment to GASB Statement No. 68*. ("GASB No.71") during the 2015 fiscal year. This adjustment was offset by the write off of previously reported receivables deemed as uncollectible in the future. The new GASB accounting standards have no impact on the governmental funds financial statements, however, the write off of the receivables resulted in a restatement and decrease of the general fund fund balance of \$300,910.
- On the district-wide financial statements, the District's total net position (deficit) decreased by \$590,672, or 28.35% to \$(1,492,603). This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- On the district-wide financial statements, revenues increased by \$296,085 or 1.15%. The increases were in property taxes and other tax items and state aid.
- On the district-wide financial statements, expenses decreased by \$1,308,965 or 4.90%. The major contributing factor to this decrease was a decrease in pension expense as a result of the implementation of GASB 68 and 71, which reduced expenses by \$1,316,228.
- The general fund's total fund balance, as reflected in the fund financial statements, decreased by \$98,598.
- The 2015-2016 budget in the amount of \$26,626,268 was approved by the voters.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2015, the District implemented GASB No. 68 and GASB No. 71. This resulted in the District recording a net pension asset of \$4,542,254 for the Teachers' Retirement System ("TRS") and a net pension liability of \$142,206 for the Employees' Retirement System ("ERS") for the fiscal year ending June 30, 2015. The net pension liability/(asset) is the total cost of future pension benefit payments that have already been earned, minus the value of assets available to make the benefit payments (the net position of the plan). The District also recorded deferred outflows and inflows related to pensions, which will be recognized in future periods. Please see Note 11 for additional information.

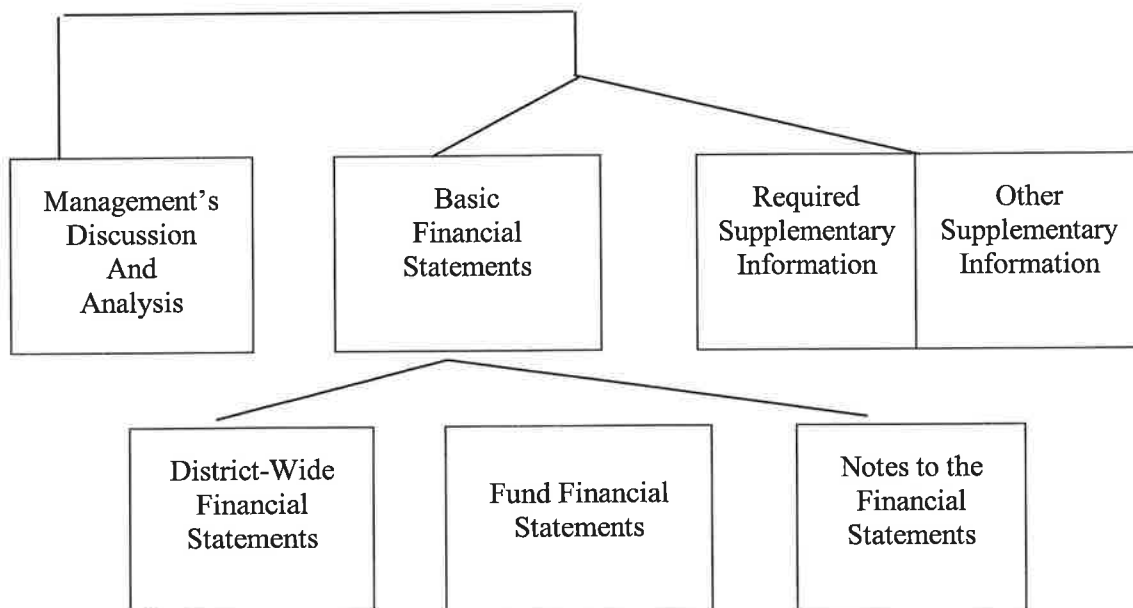
**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

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

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.
- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

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

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



**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

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

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

A. District-Wide Financial Statements

The District-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-Wide Financial Statements report the District's *net position* and how they have changed. Net position, the difference between the assets, deferred outflows of resources, liabilities and deferred inflows of resources, is one way to measure the financial health or position of the District.

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

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

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

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

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

B. Fund Financial Statements

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

The District has two kinds of funds:

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, reconciliations are provided to explain the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- *Fiduciary funds:* The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position (deficit) decreased by \$590,672 in the fiscal year ended June 30, 2015, as detailed in Table A-3. The June 30, 2014 net position (deficit) has been decreased by \$821,407 resulting from the implementation of GASB No. 68 and GASB No. 71 offset by the write off of previously reported receivables. Additionally, the June 30, 2014 balances reflect net pension assets and liabilities and deferred outflows of resources in accordance with the new GASB statements.

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

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

	Fiscal Year 2015	* As Restated Fiscal Year 2014	Increase/ (Decrease)	Percentage Change
Current assets and other assets	\$ 10,294,731	\$ 11,352,331	\$ (1,057,600)	-9.32%
Capital assets, net of accumulated depreciation	22,413,226	22,127,890	285,336	1.29%
Net pension asset - proportionate share	4,542,254	260,751	4,281,503	1641.99%
Total assets	37,250,211	33,740,972	3,509,239	10.40%
Deferred outflows of resources	1,176,447	1,051,785	124,662	11.85%
Total assets and deferred outflows of resources	<u>\$ 38,426,658</u>	<u>\$ 34,792,757</u>	<u>\$ 3,633,901</u>	10.44%
Current and other liabilities	\$ 8,500,942	\$ 8,517,351	\$ (16,409)	-0.19%
Long-term liabilities	19,641,379	20,617,761	(976,382)	-4.74%
Net OPEB obligation	8,638,990	7,702,565	936,425	12.16%
Total liabilities	36,781,311	36,837,677	920,016	2.50%
Deferred inflows of resources	3,137,950	38,355	3,099,595	100.00%
Total liabilities and deferred inflows of resources	<u>39,919,261</u>	<u>36,876,032</u>	<u>4,019,611</u>	10.90%
Net Position				
Net investment in capital assets	4,176,787	3,182,360	994,427	31.25%
Restricted	836,298	1,014,646	(178,348)	-17.58%
Unrestricted (deficit)	(6,505,688)	(6,280,281)	(225,407)	3.59%
Total net position (deficit)	<u>(1,492,603)</u>	<u>(2,083,275)</u>	<u>590,672</u>	-28.35%
Total liabilities, deferred inflows of resources and net position	<u>\$ 38,426,658</u>	<u>\$ 34,792,757</u>	<u>\$ 4,610,283</u>	13.25%

* as restated for implementation of GASB No. 68 and GASB No. 71 and receivable write-off, see Note 16.

Current and other assets decreased by \$1,057,600, compared to the prior year. This was primarily due to a decrease in the District's cash balances offset by the increase in due from state and federal aid receivable. The decrease in cash is primarily due to the operating results of the District's governmental funds.

Capital assets, net increased by \$285,336 due to capital asset additions in excess of depreciation expense (see Note 7).

Net pension asset - proportionate share, as restated for the fiscal year ended June 30, 2014 (see Note 11), increased by \$4,281,503 due to fluctuations in the actuarially determined net pension asset of the Teachers' Retirement System ("TRS"). This represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at June 30, 2014, the measurement date.

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

Deferred outflows of resources increased by \$124,662. This represents contributions to the State Retirement Systems subsequent to the measurement date and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by \$16,409 compared to the prior year. This decrease was primarily due to decreases in accounts payable, retainage payable and bond interest payable offset by increases in due to teachers' retirement system, compensated absences payable and collections in advance.

Long-term liabilities decreased by \$976,382 compared to the prior year primarily due to a decrease in bonds payable offset by an increase in compensated absences payable.

The District's net other postemployment benefits (OPEB) obligation increased over the prior year by \$936,425. This increase was the result of the current year unfunded OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis ("pay-as-you-go"). Under current NYS laws, there is no provision to fund this obligation by any other means than the "pay-as-you-go" method. The accompanying notes to the financial statements, Note 12 "Postemployment (Health Insurance) Benefits" provides additional information.

Deferred inflows of resources increased by \$3,099,595 due to the District recognizing deferred inflows related to its pensions under GASB No. 68 and GASB No. 71. These actuarial adjustments at the plan level will be amortized in future years.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings and improvements, furniture & equipment and vehicles, net of depreciation and related debt. This number increased over the prior year by \$994,427 primarily due to capital additions and principal payments on debt used to finance capital additions, in excess of depreciation expense.

The restricted amount of \$836,298 relates to the District's restricted reserves. This balance decreased from the prior year by \$178,348. The District appropriated \$251,381 of restricted reserves to fund the 2014-15 budget, however only \$180,710 was used and the remaining \$70,671 was returned to the restricted funds. During 2014-15 the District did not provide additional funding to the reserves. The reserves earned \$2,362 in interest during the 2014-2015 fiscal year.

The unrestricted deficit of \$(6,505,688) relates to the balance of the District's net position. The deficit increased by \$225,407.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. A summary of these statements for the years ended June 30, 2015 and 2014 is as follows:

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

	Fiscal Year 2015	Fiscal Year 2014	Increase (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 352,340	\$ 363,289	\$ (10,949)	-3.01%
Operating Grants	464,195	474,532	(10,337)	-2.18%
General Revenues				
Property Taxes and Other Tax Items	18,630,820	18,313,506	317,314	1.73%
State Sources	6,257,604	6,181,025	76,579	1.24%
Other	286,447	362,969	(76,522)	-21.08%
Total Revenues	<u>\$ 25,991,406</u>	<u>\$ 25,695,321</u>	<u>\$ 296,085</u>	1.15%
Expenses				
General Support	\$ 2,159,482	\$ 2,446,374	\$ (286,892)	-11.73%
Instruction	21,082,276	22,167,228	(1,084,952)	-4.89%
Pupil Transportation	1,177,123	1,123,425	53,698	4.78%
Debt Service - Interest	765,243	765,676	(433)	-0.06%
Food Service Program	216,610	206,996	9,614	4.64%
Total Expenses	<u>\$ 25,400,734</u>	<u>\$ 26,709,699</u>	<u>\$ (1,308,965)</u>	-4.90%
Increase (Decrease) in Net Position	<u>\$ 590,672</u>	<u>\$ (1,014,378)</u>	<u>\$ 1,605,050</u>	-158.23%

There is insufficient data from which to restate the 2014 expenses relating to the implementation of GASB Statements No. 68 and No. 71.

For the fiscal year ending June 30, 2015, the District recognized an increase in Net Position of \$590,672, primarily due to the implementation of GASB No. 68 and GASB No. 71, which required the District to recognize a decrease in the net pension expense of \$1,261,265 for the Teachers' Retirement System ("TRS") and a decrease in the net pension expense of \$54,963 for the Employees' Retirement System ("ERS"). These adjustments were offset by increases in net other postemployment benefit obligations.

The District's net position increased by \$590,672 and decreased by \$1,014,378 for the years ended June 30, 2015 and 2014, respectively.

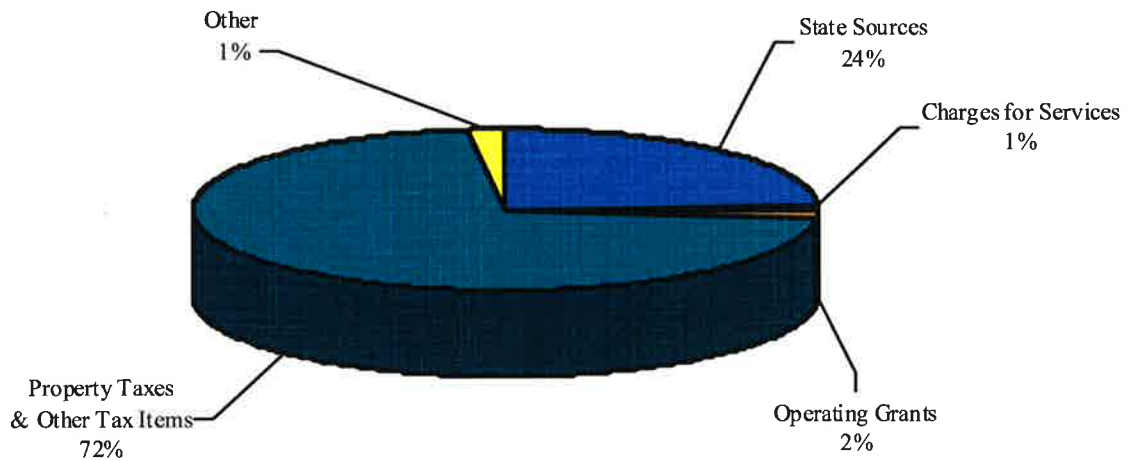
The District's revenues increased by \$296,085 or 1.15%. Most of the increase is attributable to an increase in property taxes and other tax items and state sources.

The District's expenses decreased by \$1,308,965 or 4.90%. The decreases in expenses are predominately related to general support and instruction, which were offset by increases in pupil transportation and food service. Instruction expenses decreased due to decreases in cost of benefits primarily due to the implementation of GASB Statement No. 68 and GASB Statement No. 71. General support expenses decreased primarily as a result of decreased costs in central services.

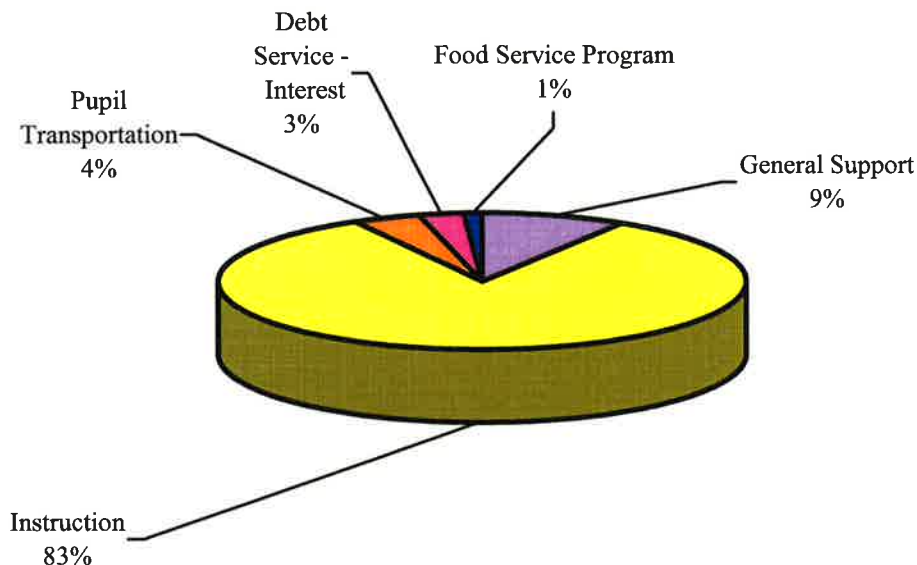
**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

As indicated in the pie charts that follow, property taxes and other tax items is the largest component of revenues recognized (i.e., 72%) Instructional expense is the largest category of expenses incurred (i.e., 83%).

A graphic display of the distribution of revenues for Fiscal Year 2015 as follows:



A graphic display of the distribution of expenses for Fiscal Year 2015 as follows:



**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

C. Governmental Activities

Revenues for the District's governmental activities totaled \$25,991,406 while total expenses equaled \$25,400,734. The increase in net position can be primarily attributed to the adoption of GASB No. 68 and GASB No. 71, which require the District to recognize its proportionate share of net pension assets and liabilities and deferred outflows and inflows of resources.

The continuation of the overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's board and administration;
- Use of prudent fiscal management practices;
- Effective use of services, including Eastern Suffolk BOCES, and various cost saving initiatives;
- Improved curriculum and student services along with community support;

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

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2015	2014	2015	2014
General Support	\$2,159,482	\$2,446,374	\$2,159,482	\$2,446,374
Instruction	21,082,276	22,167,228	20,430,782	21,503,822
Pupil Transportation	1,177,123	1,123,425	1,177,123	1,123,425
Debt Service - Interest	765,243	765,676	765,243	765,676
School Lunch Program	216,610	206,996	51,569	32,581
Total	<u>\$25,400,734</u>	<u>\$26,709,699</u>	<u>\$24,584,199</u>	<u>\$25,871,878</u>

- The cost of all governmental activities this year was \$25,400,734. (Statement of Activities and Changes in Net Position-Expenses column)
- The users of the District's programs financed \$352,340 of the cost. (Statement of Activities and Changes in Net Position-Charges For Services column)
- The federal and state governments subsidized certain programs with grants of \$464,195 (Statement of Activities and Changes in Net Position-Operating Grants column)
- Most of the District's net costs of \$24,584,199 were financed by District taxpayers and state and federal aid. (Statement of Activities and Changes in Net Position-Net (Expense) Revenue and Changes in Net Position column)

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

At June 30, 2015, the District's governmental funds reported a combined fund balance of \$2,106,650, which is a decrease of \$979,418 from the prior year. A summary of the change in fund balance by fund is as follows:

	Fiscal Year 2015	* As restated Fiscal Year 2014	Changes
General Fund			
Restricted for employee benefits			
accrued liability	\$ 439,678	\$ 438,581	\$ 1,097
Restricted for retirement contribution	232,098	411,220	(179,122)
Restricted for unemployment insurance	77,555	78,095	(540)
Restricted for workers' compensation	86,967	86,750	217
Assigned - appropriated for			
subsequent year's expenditures	275,000	275,000	-
Assigned - general support	10,172	38,809	(28,637)
Assigned - instruction	10,727	27,269	(16,542)
Assigned - pupil transportation	15	-	15
Unassigned	859,063	734,149	124,914
	<u>1,991,275</u>	<u>2,089,873</u>	<u>(98,598)</u>
School Lunch Fund			
Nonspendable	3,204	2,428	776
Unassigned (deficit)	(44,837)		(44,837)
	<u>(41,633)</u>	<u>2,428</u>	<u>(44,061)</u>
Capital Projects Fund			
Assigned	157,008	993,767	(836,759)
	<u>157,008</u>	<u>993,767</u>	<u>(836,759)</u>
Total Fund Balance - All Funds	<u>\$ 2,106,650</u>	<u>\$ 3,086,068</u>	<u>\$ (979,418)</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

A. General Fund

The net change in the general fund – fund balance is a decrease of \$98,598, compared to an increase of \$500,557 in fiscal 2014, as expenditures exceeded revenues on the modified accrual basis of accounting. When compared to the prior year, revenues increased by approximately \$378,000 and expenditures increased by approximately \$977,000. The increase in revenues was primarily due to an increase in real property taxes, which increased by approximately \$281,000 and in state aid, which increased by approximately \$141,000. The increase in expenditures was primarily due to increases in instruction of approximately \$830,000, pupil transportation of \$60,000, employee benefits of \$158,000 and an increase of \$25,000 in debt service offset by decreases in general support of \$74,000 and transfers to other funds of approximately \$22,000.

B. School Lunch Fund

The net change in the school lunch fund – fund balance is a decrease of \$44,061, which was the operating loss of the school lunch fund.

C. Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$836,759. The decrease is the result of the capital outlay on the middle school renovations project.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2014-2015 Adopted Budget

The District's adopted General Fund budget for the year ended June 30, 2015 was \$25,876,539. This amount was increased by encumbrances carried forward from the prior year in the amount of \$66,078, which resulted in a final budget of \$25,942,617. The majority of the funding was estimated to come from property taxes and STAR revenue of \$18,586,902.

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

The general fund's unassigned fund balance is a component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and appropriations to fund subsequent years' budgets. It is this balance that is commonly referred to as "Fund Balance".

The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget is as follows:

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

Opening, Unassigned Fund Balance, as restated	\$ 734,149
Revenues Over Budget	105,143
Expenditures and Encumbrances Under Budget	367,804
Change in Restricted Reserves	(70,671)
Interest earned in Restricted Reserves	(2,362)
Appropriated to fund the June 30, 2016 Budget	(275,000)
Closing, Unassigned Fund Balance	<u>\$ 859,063</u>

Opening, Unassigned Fund Balance

The opening, unassigned fund balance (as restated – See Note 16) represents the fund balance retained by the District as of June 30, 2014 that was not restricted or assigned for subsequent year's taxes. The unassigned fund balance as originally stated was equal to 4% of the 2014-15 budget and was at the statutory maximum, according to New York State Real Property Tax Law.

Revenues Over Budget

The 2014-2015 final budget for revenues was \$25,350,158. Actual revenues received for the year were \$25,455,301.

Expenditures and Encumbrances Under Budget

The 2014-2015 final budget for expenditures was \$25,942,617. Actual expenditures for the year were \$25,553,899 and outstanding encumbrances were \$20,914 at June 30, 2015. Combined, the expenditures plus encumbrances for 2014-15 were \$25,574,813. The final budget was under expended by \$367,804. The expenditures and encumbrances under budget were primarily in the general support section of the budget.

Net Transfers to Restricted Reserves

Monies transferred from budget lines within the general fund operating budget into required reserves do not affect the combined reserved, assigned, and unassigned fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned portion of the fund balance by the amount of the transfers.

The \$(70,671) shown in the above table represents the 2014-2015 unused appropriated reserves that were returned to the reserves for future use.

Interest Earned in Restricted Reserves

Revenues such as interest earned in a general fund reserve increase the reserve and, therefore, decrease the unassigned portion of the general fund-fund balance.

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

The reserves earned interest as follows:

Unemployment insurance	\$ 20
Retirement contribution	1,028
Workers' compensation	217
Employee benefits accrued liabilities	1,097
	<u>\$ 2,362</u>

Appropriated Fund Balance

The District has chosen to use \$275,000 of available fund balance to partially fund the approved budget for the year ending June 30, 2016.

Closing, Unassigned Fund Balance

Based upon the summarized changes shown in the above table, the District will begin the 2015-2016 fiscal year with an unassigned fund balance of \$859,063. This amount is 3.23% of the 2015-2016 adopted budget.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

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

Category	Fiscal Year 2015	Fiscal Year 2014	Increase (Decrease)
Land	\$ 265,000	\$ 265,000	-
Construction in Progress	-	90,252	(90,252)
Buildings & Building Improvements	28,857,387	27,868,125	989,262
Furniture & Equipment	830,984	785,397	45,587
Vehicles	56,269	18,000	38,269
	<u>30,009,640</u>	<u>29,026,774</u>	<u>982,866</u>
Subtotal	30,009,640	29,026,774	982,866
Less: Accumulated Depreciation	<u>7,596,414</u>	<u>6,898,884</u>	<u>697,530</u>
Total Net Capital Assets	<u>\$ 22,413,226</u>	<u>\$ 22,127,890</u>	<u>\$ 285,336</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

B. Debt Administration

At June 30, 2015, the District had total bonds payable of \$18,235,000. The July 2003 bonds were issued for the renovation of an existing school building and the construction of a new elementary school building. The June 2007 bonds were issued to finance the June 30, 2006 deficit in the general fund pursuant to Chapter 354 of the Laws of 2006 of the State of New York. On March 2, 2012, the District issued \$13,120,000 in serial bonds with an interest rate of 2.00 – 5.00% to advance refund \$13,765,000 of outstanding serial bonds. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$881,000. The net decrease in outstanding debt represents principal payments made during the current year and the refunding transaction.

A summary of the outstanding debt at June 30, 2015 and 2014 is as follows:

Issue Date	Interest Rate	2015	2014	Increase (Decrease)
July 2, 2003	4.0-5.0%	\$ 5,490,000	\$ 5,490,000	\$ -
June 15, 2007	3.75-4.375%	510,000	750,000	(240,000)
July 1, 2011	4.0-4.75%	435,000	460,000	(25,000)
January 10, 2012	2.0-5.0%	11,800,000	12,445,000	(645,000)
		<u>\$ 18,235,000</u>	<u>\$ 19,145,000</u>	<u>\$ (910,000)</u>

Additionally, the District carries a deferred financing premium of \$511,439, as a result of the refunding.

The District's latest municipal bond rating from Standard and Poor's is A+ with a stable outlook.

The District's total outstanding indebtedness currently does not exceed its debt limit, which is 10% of the full valuation of the taxable real property within the District.

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

The General Fund budget for the 2015-2016 school year in the amount of \$26,626,268 was approved by the voters. This is an increase of \$749,729 or 2.90% over the previous year's budget. The increase was primarily due to increases in instructional costs.

The assigned appropriated fund balance applied to June 30, 2016 budget was \$275,000, which has remained the same as the prior year.

The District expects to appropriate \$201,381 from the retirement reserve and \$50,000 from the unemployment reserve to fund the June 30, 2016 budget.

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

Future budgets may be negatively affected by certain trends impacting school districts. These factors include rising health care premiums, increased costs associated with meeting the requirements for instructional services, lower state aid and the enactment of the Real Property Tax Levy Limit ("Tax Cap") Law by New York State which will continue to impact the District's ability to fund its current cost of services (see below).

The NYS Legislature introduced and approved a property tax cap beginning in the 2012-2013 school year. This law limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the District's tax levy cap, then a majority vote would be required for approval.

If the proposed tax levy exceeds the District's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year in certain circumstances would be allowed to carry over unused tax levy capacity into the next fiscal year.

8. CONTACTING THE DISTRICT

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

Dr. Charles Russo
Superintendent of Schools
East Moriches Union Free School District
Administrative Office
9 Adelaide Avenue
East Moriches, New York 11940

EAST MORICHES UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION-GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

ASSETS

Cash	
Unrestricted	\$ 7,954,737
Restricted	836,298
Receivables	
Accounts receivable	4,844
State and federal aid	1,418,247
Due from other governments	19,983
Due from fiduciary funds	57,418
Inventories	3,204
Capital assets, net	
Capital assets not being depreciated	265,000
Capital assets being depreciated, net of accumulated depreciation	22,148,226
Net pension asset - proportionate share	4,542,254
TOTAL ASSETS	37,250,211

DEFERRED OUTFLOWS OF RESOURCES

Pensions	1,176,447
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 38,426,658
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LIABILITIES

Payables	
Accounts payable	\$ 822,894
Bond interest payable	357,383
Tax anticipation notes payable	6,000,000
Due to other governments	19,827
Due to teachers' retirement system	1,137,178
Due to employees' retirement system	55,281
Compensated absences payable	56,839
Unearned credits	
Collections in advance	51,540
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	979,091
Due and payable after one year	
Bonds payable, net	17,767,348
Compensated absences payable	752,734
Net OPEB obligation	8,638,990
Net pension liability - proportionate share	142,206

TOTAL LIABILITIES	36,781,311
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DEFERRED INFLOWS OF RESOURCES

Pensions	3,137,950
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NET POSITION

Net Investment in Capital Assets	4,176,787
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Restricted

Employee benefit accrued liability	439,678
Retirement contribution	232,098
Unemployment insurance	77,555
Workers' compensation	86,967
	<u>836,298</u>

Unrestricted (deficit)	<u>(6,505,688)</u>
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TOTAL NET POSITION (DEFICIT)	(1,492,603)
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**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION**

\$ 38,426,658

EAST MORICHES UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues		Net (Expense)
	Expenses	Charges for	Operating	Revenue and
		Services	Grants	Changes in
				Net Position
FUNCTIONS / PROGRAMS				
General support	\$ (2,159,482)	\$ -	\$ -	\$ (2,159,482)
Instruction	(21,082,276)	246,338	405,156	(20,430,782)
Pupil transportation	(1,177,123)	-	-	(1,177,123)
Debt service - interest	(765,243)	-	-	(765,243)
Food Service program	(216,610)	106,002	59,039	(51,569)
TOTAL FUNCTIONS AND PROGRAMS	\$ (25,400,734)	\$ 352,340	\$ 464,195	(24,584,199)
GENERAL REVENUES				
Real property taxes				16,602,394
Other tax items				2,028,426
Use of money & property				55,516
Sale of property and compensation for loss				4,235
Miscellaneous				226,696
State sources				6,257,604
TOTAL GENERAL REVENUES				25,174,871
CHANGE IN NET POSITION				590,672
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR, AS RESTATED SEE NOTE 16				(2,083,275)
TOTAL NET POSITION (DEFICIT) - END OF YEAR				\$ (1,492,603)

EAST MORICHES UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash					
Unrestricted	\$ 7,941,854	\$ 2,354	\$ 10,529	\$ -	\$ 7,954,737
Restricted	836,298	-	-	-	836,298
Receivables					
Accounts receivable	4,675	-	169	-	4,844
State and federal aid	898,413	509,666	10,168	-	1,418,247
Due from other governments	19,983	-	-	-	19,983
Due from other funds	444,781	-	-	158,837	603,618
Inventories	-	-	3,204	-	3,204
TOTAL ASSETS	<u>\$ 10,146,004</u>	<u>\$ 512,020</u>	<u>\$ 24,070</u>	<u>\$ 158,837</u>	<u>\$ 10,840,931</u>
LIABILITIES					
Payables					
Accounts payable	\$ 789,599	\$ 3,017	\$ 28,449	\$ 1,829	\$ 822,894
Tax anticipation notes payable	6,000,000	-	-	-	6,000,000
Due to other governments	19,770	-	57	-	19,827
Due to other funds	-	509,003	37,197	-	546,200
Due to teachers' retirement system	1,137,178	-	-	-	1,137,178
Due to employees' retirement system	55,281	-	-	-	55,281
Compensated absences	56,839	-	-	-	56,839
Unearned credits					
Collections in advance	51,540	-	-	-	51,540
TOTAL LIABILITIES	<u>8,110,207</u>	<u>512,020</u>	<u>65,703</u>	<u>1,829</u>	<u>8,689,759</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	44,522	-	-	-	44,522
FUND BALANCES					
Nonspendable	-	-	3,204	-	3,204
Restricted					
Employee benefit accrued liability	439,678	-	-	-	439,678
Retirement contribution	232,098	-	-	-	232,098
Unemployment insurance	77,555	-	-	-	77,555
Workers' compensation	86,967	-	-	-	86,967
Assigned					
Appropriated fund balance	275,000	-	-	-	275,000
Unappropriated fund balance	20,914	-	-	157,008	177,922
Unassigned (deficit)	859,063	-	(44,837)	-	814,226
TOTAL FUND BALANCES (DEFICIT)	<u>1,991,275</u>	<u>-</u>	<u>(41,633)</u>	<u>157,008</u>	<u>2,106,650</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
	<u>\$ 10,146,004</u>	<u>\$ 512,020</u>	<u>\$ 24,070</u>	<u>\$ 158,837</u>	<u>\$ 10,840,931</u>

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

Total Governmental Fund Balances \$ 2,106,650

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

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds. 44,522

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

Original cost of the capital assets	\$ 30,009,640	
Accumulated depreciation	<u>(7,596,414)</u>	22,413,226

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

Net pension asset - teachers' retirement system	4,542,254	
Deferred outflows of resources	1,176,447	
Net pension liability - employees' retirement system	(142,206)	
Deferred inflows of resources	<u>(3,137,950)</u>	2,438,545

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Deferred financing premium	(511,439)
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Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:

Accrued interest on bonds payable	(357,383)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist

Bonds payable	(18,235,000)	
Compensated absences payable	(752,734)	
Net OPEB obligation	<u>(8,638,990)</u>	<u>(27,626,724)</u>

Total Net Position (Deficit)	<u><u>\$ (1,492,603)</u></u>
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EAST MORICHES UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$16,602,394	\$ -	\$ -	\$ -	\$ 16,602,394
Other tax items	2,028,426	-	-	-	2,028,426
Charges for services	245,670	-	-	-	245,670
Use of money and property	55,516	-	-	-	55,516
Sale of property and compensation for loss	4,235	-	-	-	4,235
Miscellaneous	226,696	-	-	-	226,696
State sources	6,292,364	193,356	2,671	-	6,488,391
Federal sources	-	211,800	44,253	-	256,053
Surplus food	-	-	12,115	-	12,115
Sales	-	-	106,002	-	106,002
TOTAL REVENUES	25,455,301	405,156	165,041	-	26,025,498
EXPENDITURES					
General support	1,797,599	-	-	-	1,797,599
Instruction	17,419,966	414,549	-	-	17,834,515
Pupil transportation	1,145,719	31,404	-	-	1,177,123
Employee benefits	3,424,810	-	-	-	3,424,810
Debt service - principal	910,000	-	-	-	910,000
Debt service - interest	815,008	-	-	-	815,008
Cost of sales	-	-	209,102	-	209,102
Capital outlay	-	-	-	836,759	836,759
TOTAL EXPENDITURES	25,513,102	445,953	209,102	836,759	27,004,916
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(57,801)	(40,797)	(44,061)	(836,759)	(979,418)
OTHER FINANCING SOURCES AND USES					
Operating transfers in	-	40,797	-	-	40,797
Operating transfers (out)	(40,797)	-	-	-	(40,797)
TOTAL OTHER SOURCES (USES)	(40,797)	40,797	-	-	-
NET CHANGE IN FUND BALANCES	(98,598)	-	(44,061)	(836,759)	(979,418)
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED SEE NOTE 16	2,089,873	-	2,428	993,767	3,086,068
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 1,991,275	\$ -	\$ (41,633)	\$ 157,008	\$ 2,106,650

**EAST MORICHES UNION FREE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances \$ (979,418)

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenues for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

Change in deferred revenue (34,092)

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

Increase in the compensated absences liability	\$ (20,722)	
Increase in the net OPEB Obligation	<u>(936,425)</u>	(957,147)

Capital Related Differences

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

Capital outlay	982,866	
Depreciation expense	<u>(697,530)</u>	285,336

Long-Term Debt Transaction Differences

Amortization of deferred financing premium, net 39,091

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Bond principal payments 910,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2014 to June 30, 2015.

10,674

Pension Differences

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

Teachers' retirement system	1,261,265	
Employees' retirement system	<u>54,963</u>	<u>1,316,228</u>

Change in Net Position of Governmental Activities \$ 590,672

EAST MORICHES UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency Funds</u>	<u>Private Purpose Trust Funds</u>
ASSETS		
Cash	\$ 118,285	\$ 1,278
TOTAL ASSETS	<u>\$ 118,285</u>	<u>\$ 1,278</u>
LIABILITIES		
Due to governmental funds	\$ 57,418	\$ -
Other liabilities	60,867	-
TOTAL LIABILITIES	<u>\$ 118,285</u>	<u>-</u>
NET POSITION		
Reserved for scholarships		1,278
TOTAL LIABILITIES AND NET POSITION		<u>\$ 1,278</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$ -
Interest and earnings	-
TOTAL ADDITIONS	<u>-</u>
DEDUCTIONS	
Scholarships and awards	<u>50</u>
TOTAL DEDUCTIONS	<u>50</u>
CHANGE IN NET POSITION	(50)
NET POSITION - BEGINNING OF YEAR	<u>1,328</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,278</u></u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

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

A) Reporting Entity

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities which would be included in the District’s reporting entity as a component unit.

B) Joint Venture

The District is a component district in the Board of Cooperative Educational Services of Eastern Suffolk, (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provides educational and support activities. BOCES are organized under Section §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 Section §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n (a) of the General Municipal Law. A BOCES’ budget is comprised of separate budgets for administrative, program and capital costs. Each component district’s share of administrative and capital cost is determined by resident public school district enrollment, as defined in the Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component districts pay tuition or a service fee for programs in which its students participate.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

During the year ended June 30, 2015, the District was billed \$1,498,483 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$236,907. Financial statements for the BOCES are available from the BOCES administrative office at 201 Sunrise Highway, Patchogue, New York 11772.

C) Basis of Presentation

i) District-Wide Financial Statements

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

The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas.

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

ii) Fund Financial Statements

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

Governmental Funds:

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

Special Aid Fund - is used to account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund - is used to account for the activities of the food service program, which are supported by federal and state grants and charges participants for its services.

**EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

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

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

D) Basis of Accounting and Measurement Focus

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

The governmental fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pensions expense and other postemployment benefits which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Real Property Taxes

Calendar

Real property taxes are levied annually by the Board of Education no later than November 1st and become a lien on December 1st. Taxes are collected by the Town of Brookhaven and remitted to the District from December to June.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County in June.

F) Restricted Resources

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

G) Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfers in and transfers out to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

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

H) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of other postemployment benefits, proportionate pension liability, deferred inflows of resources for pensions, potential contingent liabilities, proportionate pension asset, deferred outflow of resources for pensions, and useful lives of long-lived assets.

I) Cash and Cash Equivalents

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

J) Restricted Assets

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

K) Receivables

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

L) Inventories

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food donated by the U. S. Department of Agriculture, at the Government's assigned value, which approximates market. These inventories are accounted for on the consumption method. Under the consumption method, a current asset is recorded at the time of purchase and an expense/expenditure is reported in the year the goods are consumed.

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

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

M) Capital Assets

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at estimated fair market value at the date of donation.

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

	Capitalization <u>Threshold</u>	Estimated <u>Useful Life</u>
Buildings and improvements	\$ 15,000	30 - 50 years
Furniture and equipment	500	5-20 years
Vehicles	500	5-20 years

N) Collections in Advance

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

O) Deferred Outflows and Inflows of Resources

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

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

The deferred inflow on the governmental funds balance sheet is deferred revenue which is reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

P) Vested Employee Benefits - Compensated Absences

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

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

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

In the fund financial statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources.

Q) Other Benefits

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

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District accounts for these postemployment benefits in accordance with GASB Statement No. 45 (GASB 45) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB). The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund, in the year paid. In the district-wide statements, post-employment costs are measured and disclosed using the accrual basis of accounting.

R) Short-Term Debt

The District may issue Tax Anticipation Notes (TAN) and Revenue Anticipation Notes (RAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The TANs and RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. No RANs were issued during the year. TANs for \$6,000,000 were redeemed and new TANs for \$6,000,000 were issued during the fiscal year. See Note 9 for further details.

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. No BANs were issued during the year.

S) Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent they have matured. 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.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

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

T) Equity Classifications

District-Wide Financial Statements

In the district-wide financial statements, the District is permitted to use three classes of net position:

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

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

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

Fund Financial Statements

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

- 1) **Non-Spendable Fund Balance** - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$3,204.
- 2) **Restricted Fund Balance** - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Currently, New York State laws still use the terminology “reserves” and districts are allowed to use reserves authorized by law. The District has classified the following reserves as restricted:

General Fund

Employee Benefit Accrued Liability	\$ 439,678
Retirement contribution	232,098
Unemployment insurance	77,555
Workers' Compensation	86,967

Total	<u>\$ 836,298</u>
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EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

Employee Benefit Accrued Liability Reserve

According to General Municipal Law §6-p, is used to reserve funds for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund.

Retirement Contribution Reserve

According to General Municipal Law §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 the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the general fund.

Unemployment Insurance Reserve

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

Workers' Compensation Reserve

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

Restricted Reserves for Subsequent Year's Budget

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2015 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2016:

Retirement contribution	\$ 201,381
Unemployment insurance	50,000
	<u>\$ 251,381</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

- 3) **Committed Fund Balance** - Includes amounts that can only 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 District has no committed fund balances as of June 30, 2015.
- 4) **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. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies.

The District has established a fund balance policy that allows the Board of Education or its designated official to set forth the fund balance that is assigned.

This classification also includes the remaining positive fund balance for all governmental funds except for the general fund. The District has classified the following as assigned:

<u>Assigned for:</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Designated for subsequent year's expenditures	\$ 275,000	\$ -	\$ 275,000
General support	10,172	-	10,172
Instruction	10,727	-	10,727
Employee benefits	15		15
Capital projects	-	157,008	157,008
Total	<u>\$ 295,914</u>	<u>\$ 157,008</u>	<u>\$ 452,922</u>

Designated for Subsequent Year's Expenditures

The amount of \$275,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2016.

Encumbrances

Encumbrances have been assigned based upon the District's intent to be used for a specific purpose such as general support, instruction, employee benefits and capital projects. See Note 3 for further detail regarding accountability and Note 15 for further detail regarding significant encumbrances.

- 5) **Unassigned Fund Balance** – represents the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

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

Order of Use of Fund Balance:

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

U) Changes in Accounting Principles:

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these Statements requires the District to report as an asset and/or liability its portion of the collective net pensions asset and liability in the New York State Teachers' and Employees' Retirement Systems. The implementation of these Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow is the District contributions to the pension systems subsequent to the measurement date. See Notes 11 and 16 for the financial statement impact of implementation of these Statements.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

A) Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

B) Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

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

i) Long-Term Revenue and Expense Differences

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

ii) Capital Related Differences

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

iii) Long-Term Debt Transaction Differences

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

iv) Pension differences:

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. For the fiscal year ended June 30, 2015, the District did not have any additional appropriations.

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital project fund 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.

Encumbrances

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

School Lunch Fund Deficit

The school lunch fund has an unassigned fund balance deficit of \$44,837.

Over Expenditures of Certain Appropriations

Certain general fund appropriations were over expended in the general support, instruction, employee benefits and debt service. The general fund budget in total was not over expended.

NOTE 4 – CASH (AND CASH EQUIVALENTS) - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

Cash:

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

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

Restricted Cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end is \$836,298 within the governmental funds which represents various reserves in the general fund.

Investments:

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

NOTE 5 – STATE AND FEDERAL AID RECEIVABLE

Federal and state aid receivable at June 30, 2015 consisted of:

General Fund

New York State Aid - Excess Cost Aid	\$ 112,465
New York State Aid - Tuition Chapter 47	505,187
BOCES Aid	236,907
New York State Aid - Homeless	43,854
	<u>898,413</u>

Special Aid Fund

Federal and State Grants	509,666
--------------------------	---------

School Lunch Fund

Federal and State Food Service Program Reimbursements	10,168
	<u>\$ 1,418,247</u>

In the general fund the amount due from New York State for homeless aid in the amount of \$43,854 has been deferred on the Balance Sheet.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2015 consists of the following:

General Fund

Due from other Public Schools for Services	\$ 11,120
BOCES - Special Education billing	8,863
	<u> </u>
Total	<u><u>\$ 19,983</u></u>

NOTE 7 - CAPITAL ASSETS

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

	Balance June 30, 2014	Additions	Reductions/ Reclassifications	Balance June 30, 2015
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 265,000	\$ -	\$ -	\$ 265,000
Construction in Progress	90,252		(90,252)	-
Total capital assets not being depreciated	<u>355,252</u>	<u>-</u>	<u>(90,252)</u>	<u>265,000</u>
Capital assets that are depreciated:				
Building and Improvements	27,868,125	899,010	90,252	28,857,387
Furniture and equipment	785,397	45,587		830,984
Vehicles	18,000	38,269		56,269
Total capital assets being depreciated	<u>28,671,522</u>	<u>982,866</u>	<u>90,252</u>	<u>29,744,640</u>
Less accumulated depreciation for:				
Building and Improvements	6,335,669	639,329		6,974,998
Furniture and equipment	545,215	57,005		602,220
Vehicles	18,000	1,196		19,196
Total accumulated depreciation	<u>6,898,884</u>	<u>697,530</u>	<u>-</u>	<u>7,596,414</u>
Capital assets, net	<u><u>\$ 22,127,890</u></u>	<u><u>\$ 285,336</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,413,226</u></u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 64,544
Instruction	625,478
School lunch program	7,508
	<u> </u>
	<u><u>\$ 697,530</u></u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 8 – INTERFUND TRANSACTIONS

	Interfund		Interfund	
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 444,781	\$	\$	\$ 40,797
Special Aid Fund		509,003	40,797	
School Lunch Fund		37,197		
Capital Projects Fund	158,837			
Total government activities	603,618	546,200	40,797	40,797
Fiduciary Agency Funds		57,418		
Totals	<u>\$ 603,618</u>	<u>\$ 603,618</u>	<u>\$ 40,797</u>	<u>\$ 40,797</u>

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities.

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

All interfund payables are expected to be repaid within one year.

NOTE 9 - SHORT-TERM DEBT

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/19/2015	1.0000%	\$ 6,000,000	\$ -	\$ 6,000,000	\$ -
TAN	6/17/2016	1.5000%		6,000,000	-	6,000,000
Total			<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>

Total interest expense on short term debt on the fiscal year ended June 30, 2015 was \$59,053.

A premium of \$37,860 was received upon the issuance of the TAN issued on June 26, 2014, which was recognized as revenue in miscellaneous revenues in the general fund and resulted in an effective net interest rate of 0.3565%.

In addition, the District received a premium of \$51,540 on the issuance of the TAN issued on June 24, 2015, which has been recorded as collections in advance in the general fund.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 10 – LONG-TERM DEBT OBLIGATIONS

The following tables summarize the balances and activity, excluding other postemployment benefits, in long-term liabilities for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Long-term liabilities:					
Bonds payable	\$ 19,145,000	\$ -	\$ 910,000	\$ 18,235,000	\$ 940,000
Deferred financing premium	550,530	-	39,091	511,439	39,091
Bonds payable, net	19,695,530	-	949,091	18,746,439	979,091
Other long-term liabilities:					
Compensated absences	732,012	20,722	-	752,734	-
Net pension liability - proportionate share	190,219 *	-	48,013	142,206	-
	<u>\$ 20,617,761</u>	<u>\$ 20,722</u>	<u>\$ 997,104</u>	<u>\$ 19,641,379</u>	<u>\$ 979,091</u>

* as restated for implementation of GASB No. 68 and GASB No. 71

The General Fund has typically been used to liquidate long-term liabilities.

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Serial bonds - construction	7/2/2003	7/1/2033	4.0-5.0%	\$ 5,490,000
Serial bonds - deficit	6/15/2007	6/15/2017	3.75-4.375%	510,000
Serial bonds - EXCEL	7/1/2011	7/1/2026	4.0-4.75%	435,000
Serial bonds - advance refunding	1/10/2012	7/1/2028	2.0-5.0%	11,800,000
				<u>\$ 18,235,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2016	\$ 940,000	\$ 727,981	\$ 1,667,981
2017	960,000	699,136	1,659,136
2018	720,000	666,124	1,386,124
2019	745,000	643,812	1,388,812
2020	770,000	620,721	1,390,721
2021-2025	4,370,000	2,620,416	6,990,416
2026-2030	5,470,000	1,527,171	6,997,171
2031-2034	4,260,000	315,516	4,575,516
	<u>\$ 18,235,000</u>	<u>\$ 7,820,877</u>	<u>\$ 26,055,877</u>

The deferred financing premium is amortized on the straight-line method over the life of the refunded bonds.

**EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

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

	<u>Total</u>
Interest paid	\$ 755,955
Less interest accrued in the prior year	(368,057)
Less deferred amounts on financing	(39,091)
Plus interest accrued in the current year	<u>357,383</u>
Total expense	<u>\$ 706,190</u>

NOTE 11 – PENSION PLANS

General Information

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

Provisions and Administration:

Employees' Retirement System

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

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the NYSRSSL. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Funding Policies:

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the fiscal year ended June 30. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS' fiscal year ending March 31.

Contributions:

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>NYSERS</u>	<u>NYSTRS</u>
2014-2015	\$ 180,150	\$ 1,091,915
2013-2014	\$ 215,025	\$ 992,912
2012-2013	\$ 179,362	\$ 686,858

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

At June 30, 2015, the District reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of March 31, 2015 for ERS and June 30, 2014 for TRS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation. The District's proportion of the net pension liability/(asset) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2015	June 30, 2014
Net pension liability/(asset)	\$ 142,206	\$ (4,542,254)
District's portion of the Plan's total net pension liability/(asset)	0.0042095%	0.040777%

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$125,186 for ERS and a pension credit of \$177,852 for TRS. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 4,552	\$ -	\$ -	\$ 66,422
Net difference between projected and actual investment earnings on pension plan investments	24,699	-	-	3,050,618
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	-	14,046	6,864
District's contributions subsequent to the measurement date	55,281	1,091,915	-	-
Total	<u>\$ 84,532</u>	<u>\$ 1,091,915</u>	<u>\$ 14,046</u>	<u>\$ 3,123,904</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>ERS</u>	<u>TRS</u>
2016	\$ 3,801	\$ (771,176)
2017	3,801	(771,176)
2018	3,801	(771,176)
2019	3,802	(771,176)
2020	-	(8,522)
Thereafter	-	(30,678)
	<u>\$ 15,205</u>	<u>\$ (3,123,904)</u>

i) Actuarial Assumptions

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

	ERS	TRS
Measurement date	March 31, 2015	June 30, 2014
Actuarial valuation date	April 1, 2014	June 30, 2013
Interest rate	7.5%	8%
Salary scale	4.90%	4.01% - 10.91%
Decrement tables	April 1, 2005 - March 31, 2010 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.70%	3.0%

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

For ERS, the actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010. For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

	ERS		TRS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		March 31, 2015		June 30, 2014
Asset Type:				
Domestic equity	38.0%	7.30%	37.0%	7.30%
International equity	13.0%	8.55%	18.0%	8.50%
Real estate	8.0%	8.25%	10.0%	5.00%
Alternative investments	19.0%	6.75%-11.00%	7.0%	11.00%
Domestic fixed income securities			18.0%	1.50%
Global fixed income securities			2.0%	1.40%
Bonds and mortgages	18.0%	4.00%	8.0%	3.40%
Short-term				0.80%
Cash	2.0%	2.25%		
Inflation-indexed bonds	2.0%	4.00%		
	100.0%		100.0%	

ii) Discount Rate

The discount rate used to calculate the total pension liability was 8.0% for TRS and 7.5% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

iii) 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/(asset) calculated using the discount rate of 7.5% for ERS and 8.0% for TRS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5% for ERS and 7.0% for TRS) or 1-percentage point higher (8.5% for ERS and 9.0% for TRS) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
ERS			
Employer's proportionate share of the net pension liability (asset)	\$ 947,863	\$ 142,206	\$ (537,969)

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

TRS	<u>(7.0%)</u>	<u>Assumption (8.0%)</u>	<u>(9.0%)</u>
Employer's proportionate share of the net pension liability (asset)	\$ (97,983)	\$ (4,542,254)	\$ (8,329,392)

iv) Pension Plan Fiduciary Net Position

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

	<u>ERS</u>	<u>TRS</u>
	(In thousands)	
Measurement Date	April 1, 2014	June 30, 2013
Employers' Total Pension Liability	\$ 164,591,504	\$ 97,015,707
Plan Fiduciary Net Position	<u>(161,213,259)</u>	<u>(108,155,083)</u>
Employers' Net Pension Liability/(asset)	<u>\$ 3,378,245</u>	<u>\$ (11,139,376)</u>
Ratio of plan fiduciary net position to the Employers' total pension liability	97.95%	111.48%

v) Payables To The Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2015 represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to \$55,281.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2015 are paid to the System in September, October and November 2015 through a state aid deduction and remittance to TRS. Accrued retirement contributions as of June 30, 2015 represent employee and employer contributions for the fiscal year ended June 30, 2015 based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2015 amounted to \$1,137,178.

Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the employees for the year ended June 30, 2015 totaled \$387,957.

**EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with the Internal Revenue Code §457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the year ended June 30, 2015 totaled \$38,781.

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS

Plan Description

The District provides postemployment health insurance coverage (the Healthcare Plan) to retired employees and their spouses in accordance with the provisions of various employment contracts. The Healthcare Plan is a single-employer defined benefit healthcare plan. Benefits are provided through the New York State Health Insurance Program Empire Plan. The Plan does not issue a stand-alone financial report.

Funding Policy

The District assumes a portion of the premium costs and recognizes the cost of the healthcare plan annually as an expenditure in the general fund of the fund financial statements as payments are made. For the year ended June 30, 2015, the District recognized a general fund expenditure of \$438,678 for insurance premiums for 49 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

Annual OPEB Cost and Net OPEB Obligation

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

	For the Year Ended June 30, 2015
Annual OPEB Cost and Net OPEB Obligation	
Annual required contribution	\$ 1,200,725
Interest on net OPEB obligation	389,980
Adjustment to Annual Required Contribution	(215,602)
Annual OPEB cost (expense)	1,375,103
Contributions made	(438,678)
Increase in net OPEB obligation	936,425
Net OPEB obligation-beginning of year	7,702,565
Net OPEB obligation-end of year	<u>\$ 8,638,990</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

The District's annual OPEB cost, OPEB contributions, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for June 30, 2015, and the two preceding years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/13	\$ 2,113,973	\$ 512,554	24%	\$ 5,930,199
6/30/14	2,322,255	549,889	24%	7,702,565
6/30/15	1,375,103	438,678	32%	8,638,990

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$14,971,787 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,971,787. The covered payroll (annual payroll of active employees covered by the plan) was \$7,706,134, and the ratio of the UAAL to the covered payroll was 194.28%.

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

Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a 5% investment rate of return and the healthcare cost trend rates as per the Gretzen Model, 2014 edition. The UAAL is being amortized using the level dollar amortization method over a period of 30 years.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 13 – RISK MANAGEMENT

General Information

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

Public Entity Risk Pool – Risk Sharing

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

In addition, the District participates in the New York State Public Schools Workers' Compensation Trust, a risk sharing pool, to insure workers' compensation claims. This is a public entity risk pool created under Article 5 of the workers' compensation law, to finance liability and risks related to Workers' compensation claims.

The Plan's total liability, discounted at 3%, at June 30, 2015 was \$20,953,373. The District's share of this liability is \$233,710. During the year ended June 30, 2015, the District's contribution to the plan was \$62,427. The Plan has assets (cash and investments) of \$8,849,394 at June 30, 2015 to pay these liabilities.

Financial statements for the year ended June 30, 2015 can be obtained from the District's administrative office.

NOTE 14 – LITIGATION

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

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Grants

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

Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$58,919. The minimum remaining operating lease payments are as follows:

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

<u>Fiscal Year Ended June 30,</u>	
2016	\$ 21,964
2017	21,964
2018	21,963
2019	21,963
	<u>\$ 87,854</u>

Encumbrances:

Significant encumbrances included in governmental fund balances have been classified as assigned fund balance and are as follows:

- i) **General Fund** - Total encumbrances of the general fund as of June 30, 2015 were \$20,914. Significant encumbrances of \$8,868 were assigned to central services, \$4,625 were assigned to instructional media and \$3,805 was assigned to pupil services.

NOTE 16 – RESTATEMENT OF NET POSITION AND FUND BALANCE

For the fiscal year ended June 30, 2015 the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions-Amendment to GASB No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the District's participation in the New York State Teachers' and Employees' Retirement Systems. The resulting change in net position can be seen in the table below. An additional change in fund balance and in net position represents prior year accrual adjustments and is also detailed below:

	<u>District-Wide Net Position</u>	<u>Governmental Funds General Fund Fund Balance</u>
Net position (deficit), beginning of year, as previously stated	<u>\$ (2,904,682)</u>	
Total general fund, fund balance, beginning of year, as previously stated		<u>\$ 2,390,783</u>
Write-off of prior years' due from state and federal receivables	<u>(300,910)</u>	<u>(300,910)</u>
GASB Statement Nos. 68 & 71 implementation:		
Beginning System asset - Teachers' Retirement System	260,751	-
Beginning System liability - Employees' Retirement System	(190,219)	-
Beginning deferred outflow of resources for contributions subsequent to the measurement date:		
Teachers' Retirement System	988,249	-
Employees' Retirement System	63,536	-
	<u>1,122,317</u>	<u>-</u>
Net position (deficit) and		
General fund, fund balance beginning of year, as restated	<u>\$ (2,083,275)</u>	<u>\$ 2,089,873</u>

**EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 17 – SUBSEQUENT EVENTS

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management has evaluated the activity through October 29, 2015 (the date the financial statements were available to be issued) and reported the following item which requires disclosure in accordance with the above. On August 25, 2015, the District issued \$5,770,000 in general obligations bonds with an average interest rate of 2.60% to advance refund \$5,490,000 of outstanding 2003 serial bonds with an average interest rate of 4.37%.

**EAST MORICHES UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance with Actual</u>	
REVENUES					
Local Sources					
Real Property Taxes	\$ 16,668,855	\$ 16,602,394	\$ 16,602,394	\$ -	
Other Tax Items	1,976,673	2,043,134	2,028,426	(14,708)	
Charges for Services	273,510	273,510	245,670	(27,840)	
Use of Money & Property	75,000	75,000	55,516	(19,484)	
Sale of property and compensation for loss	-	-	4,235	4,235	
Miscellaneous	60,313	60,313	226,696	166,383	
State Sources	<u>6,295,807</u>	<u>6,295,807</u>	<u>6,292,364</u>	<u>(3,443)</u>	
	<u>25,350,158</u>	<u>25,350,158</u>	<u>25,455,301</u>	<u>105,143</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Year-End Encumbrances</u>	<u>Variance with Actual and Encumbrances</u>
EXPENDITURES					
General Support					
Board of Education	21,103	18,447	15,445	-	\$ 3,002
Central Administration	278,715	298,128	296,368	1,304	456
Finance	270,251	271,052	245,885	-	25,167
Staff	40,000	43,197	24,860	-	18,337
Central Services	1,197,999	1,241,533	997,807	8,868	234,858
Special Items	<u>203,015</u>	<u>203,015</u>	<u>217,234</u>	<u>-</u>	<u>(14,219)</u>
Total General Support	<u>2,011,083</u>	<u>2,075,372</u>	<u>1,797,599</u>	<u>10,172</u>	<u>267,601</u>
Instruction					
Instruction, Adm. & Imp.	267,571	251,430	251,430	-	-
Teaching - Regular School	10,954,996	10,827,113	11,189,335	2,172	(364,394)
Programs for Students with Disabilities	5,242,857	5,393,963	5,073,804	125	320,034
Occupational Education	156,000	156,000	182,372	-	(26,372)
Instructional Media	344,649	361,460	347,765	4,625	9,070
Pupil Services	<u>398,093</u>	<u>401,208</u>	<u>375,260</u>	<u>3,805</u>	<u>22,143</u>
Total Instruction	<u>17,364,166</u>	<u>17,391,174</u>	<u>17,419,966</u>	<u>10,727</u>	<u>(39,519)</u>
Pupil Transportation	1,384,168	1,304,274	1,145,719	-	158,555
Employee Benefits	3,396,119	3,413,273	3,424,810	15	(11,552)
Debt Service					
Debt Service Principal	910,000	910,000	910,000	-	-
Debt Service Interest	<u>832,081</u>	<u>803,524</u>	<u>815,008</u>	<u>-</u>	<u>(11,484)</u>
Total Debt Service	<u>1,742,081</u>	<u>1,713,524</u>	<u>1,725,008</u>	<u>-</u>	<u>(11,484)</u>
TOTAL EXPENDITURES	<u>25,897,617</u>	<u>25,897,617</u>	<u>25,513,102</u>	<u>20,914</u>	<u>363,601</u>
Other Financing Uses					
Transfers to Other Funds	<u>45,000</u>	<u>45,000</u>	<u>40,797</u>		<u>4,203</u>
	<u>25,942,617</u>	<u>25,942,617</u>	<u>25,553,899</u>	<u>\$ 20,914</u>	<u>\$ 367,804</u>
Net changes in fund balance	(592,459)	(592,459)	(98,598)		
Fund balance - beginning, as restated see Note 16	<u>592,459</u>	<u>592,459</u>	<u>2,089,873</u>		
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,991,275</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

**EAST MORICHES UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2015**

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Covered Payroll</u>
July 1, 2012	\$ -	\$ 21,084,560	\$ 21,084,560	N/A	\$ 6,480,586	325.35%
July 1, 2013	-	21,336,215	21,336,215	N/A	6,804,616	313.56%
July 1, 2014	-	14,971,787	14,971,787	N/A	7,706,134	194.28%

EAST MORICHES UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
JUNE 30,2015

NYSERS Pension Plan

	2015	2014
District's proportion of the net pension liability (asset)	0.0042095%	0.0042095%
District's proportionate share of the net pension liability (asset)	\$ 142,206	\$ 190,219
District's covered payroll	1,269,653	1,142,259
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	11.20%	16.65%
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.95%	97.20%

NYSTRS Pension Plan

	2015	2014
District's proportion of the net pension liability (asset)	0.040777%	0.039613%
District's proportionate share of the net pension liability (asset)	\$ (4,542,254)	\$ (260,751)
District's covered payroll	\$ 6,186,562	\$ 6,071,192
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	73.42%	4.29%
Plan fiduciary net position as a percentage of the total pension liability	111.48%	100.70%

EAST MORICHES UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
JUNE 30, 2015

NYSERS Pension Plan

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 180,150	\$ 215,025	\$ 179,362	\$ 145,906	\$ 120,342	\$ 84,511	\$ 64,520	\$ 81,585	\$ 103,786	\$ 118,431
Contributions in relation to the contractually required contribution	<u>180,150</u>	<u>215,025</u>	<u>179,362</u>	<u>145,906</u>	<u>120,342</u>	<u>84,511</u>	<u>64,520</u>	<u>81,585</u>	<u>103,786</u>	<u>118,431</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,259,880	\$ 1,179,093	\$ 1,146,969	\$ 1,173,445	\$ 1,072,096	\$ 1,039,711	\$ 1,054,945	\$ 997,572	\$ 1,011,320	\$ 1,189,082
Contributions as a percentage of covered employee payroll	14.30%	18.24%	15.64%	12.43%	11.22%	8.13%	6.12%	8.18%	10.26%	9.96%

NYTRS Pension Plan

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 1,091,915	\$ 992,912	\$ 686,858	\$ 611,703	\$ 483,416	\$ 383,590	\$ 408,234	\$ 467,639	\$ 390,664	\$ 375,932
Contributions in relation to the contractually required contribution	<u>1,091,915</u>	<u>992,912</u>	<u>686,858</u>	<u>611,703</u>	<u>483,416</u>	<u>383,590</u>	<u>408,234</u>	<u>467,639</u>	<u>390,664</u>	<u>375,932</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 6,420,967	\$ 6,186,562	\$ 6,071,192	\$ 5,673,883	\$ 5,808,995	\$ 6,274,793	\$ 5,678,253	\$ 5,147,094	\$ 4,703,435	\$ 4,805,203
Contributions as a percentage of covered employee payroll	17.01%	16.05%	11.31%	10.78%	8.32%	6.11%	7.19%	9.09%	8.31%	7.82%

**EAST MORICHES UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 25,876,539
Add: Prior year's encumbrances	<u>66,078</u>
Original Budget	25,942,617
Budget Revision:	<u>-</u>
Final Budget	<u><u>\$ 25,942,617</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2015-16 voter-approved expenditure budget	<u><u>\$ 26,626,268</u></u>
Maximum allowed (4% of 2015-16 budget)	<u><u>\$ 1,065,051</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:	
Unrestricted fund balance:	
Assigned fund balance	\$ 295,914
Unassigned fund balance	<u>859,063</u>
Total unrestricted fund balance	<u>1,154,977</u>
Less:	
Appropriated fund balance	275,000
Encumbrances included in assigned fund balance	<u>20,914</u>
Total adjustments	<u>295,914</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 859,063</u></u>
Actual percentage of 2015-16 budget	<u><u>3.23%</u></u>

* 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.

**EAST MORICHES UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Project #	Budget		Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2015
		June 30, 2014	June 30, 2015	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Cupola Project		\$ 143,000	\$ 143,000	\$ 136,162	\$ -	\$ 136,162	\$ 6,838	\$ -	\$ -	\$ 143,000	\$ 143,000	\$ 6,838
Masonry Reconstruction		436,600	436,600	336,459	-	336,459	100,141	-	-	436,600	436,600	100,141
	0001-017	579,600	579,600	472,621	-	472,621	106,979	-	-	579,600	579,600	106,979
Middle School Renovation	0001-018	977,040	977,040	90,252	836,759	927,011	50,029	-		977,040	977,040	50,029
TOTAL		\$ 1,556,640	\$ 1,556,640	\$ 562,873	\$ 836,759	\$ 1,399,632	\$ 157,008	\$ -	\$ -	\$ 1,556,640	\$ 1,556,640	\$ 157,008

**EAST MORICHES UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2015**

Capital assets, net		\$ 22,413,226
Deduct:		
Short-term portion of construction bonds payable, net	\$ (729,091)	
Long-term portion of construction bonds payable, net	<u>(17,507,348)</u>	
		<u>(18,236,439)</u>
Net investment in capital assets		<u><u>\$ 4,176,787</u></u>

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

To the Board of Education
East Moriches Union Free School District
East Moriches, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the East Moriches Union Free School District (District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the East Moriches Union Free School District in a separate letter dated October 29, 2015.

Purpose of this Report

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

Cullen & Danowski, LLP

October 29, 2015

