



**EAST MORICHES
UNION FREE SCHOOL DISTRICT**

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

June 30, 2017

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, 2017, 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, 2017, 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 described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*, as of June 30, 2017. 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 – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District pension contributions on pages 3 through 13 and 45 through 49, 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 50 through 52 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 20, 2017 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 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 20, 2017

**EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2017 in comparison with the year ended June 30, 2016, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

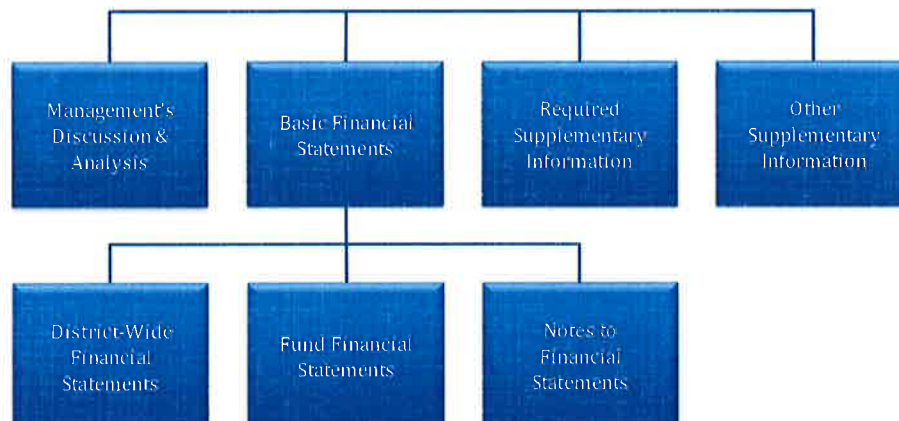
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$1,222,104. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$26,853,800. Of this amount, \$1,105,480 was offset by program charges for services, operating grants and capital grants. General revenues of \$26,970,424 amount to 96% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$1,599,615. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting. The general fund's total fund balance, as reflected in the fund financial statements, is \$3,805,918.
- The District's 2017 property tax levy of \$19,609,982 was a 2.51% increase over the 2016 tax levy and was equal to the maximum allowable tax levy limit.
- On May 16, 2017, the residents of the District voted on and authorized the Board of Education, pursuant to Education Law Section 3651, to establish a capital reserve for the purpose of funding improvements to the heating, ventilation and air conditioning system at the Middle School, at an amount not to exceed \$1,925,000.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. District-Wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

B. Fund Financial Statements

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

Governmental Funds

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

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

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the

EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by \$1,222,104 between fiscal year 2017 and 2016. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2017	2016	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 6,781,082	\$ 12,531,865	\$ (5,750,783)	(45.89)%
Capital Assets, Net	21,150,479	21,710,768	(560,289)	(2.58)%
Net Pension Asset - Proportionate Share		4,307,050	(4,307,050)	(100.00)%
Total Assets	27,931,561	38,549,683	(10,618,122)	(27.54)%
Deferred Outflows of Resources	4,515,131	1,531,507	2,983,624	194.82 %
Liabilities				
Current and Other Liabilities	3,162,215	10,542,263	(7,380,048)	(70.00)%
Long-Term Liabilities	17,310,940	18,270,438	(959,498)	(5.25)%
Net Other Postemployment Benefits Obligation	10,322,757	9,543,382	779,375	8.17 %
Net Pension Liability - Proportionate Share	786,918	732,200	54,718	7.47 %
Total Liabilities	31,582,830	39,088,283	(7,505,453)	(19.20)%
Deferred Inflows of Resources	254,639	1,605,788	(1,351,149)	(84.14)%
Net Position				
Net Investment in Capital Assets	4,570,479	4,135,768	434,711	10.51 %
Restricted	2,601,670	538,496	2,063,174	383.14 %
Unrestricted (Deficit)	(6,562,926)	(5,287,145)	(1,275,781)	(24.13)%
Total Net Position (Deficit)	\$ 609,223	\$ (612,881)	\$ 1,222,104	(199.40)%

EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Current and other assets decreased by \$5,750,783, as compared to the prior year. The decrease is primarily related to a decrease in cash of \$5,868,660.

Capital assets, net decreased by \$560,289, as compared to the prior year. This decrease is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 10 "Capital Assets" provides additional information.

Net pension asset – proportionate share decreased by \$4,307,050, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year.

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

Current and other liabilities decreased by \$7,380,048, as compared to the prior year. This decrease is primarily due to decreases in tax anticipation notes payable of \$7,000,000, compensated absences payable of \$281,398 and due to teachers' retirement system of \$87,905.

Long-term liabilities decreased by \$959,498, as compared to the prior year. This decrease is primarily the result of the repayment of bond principal in the amount of \$995,000.

Net other postemployment benefits (OPEB) obligation increased by \$779,375, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by \$54,718 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's collective net pension liabilities at the measurement date of the respective year.

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

The net investment in capital assets is the investment in capital assets at cost such as – land, construction in progress, buildings and improvements, and, furniture, equipment and vehicles, net of depreciation and related outstanding debt, which increased \$434,711 as compared to the prior year.

The restricted amount of \$2,601,670 relates to the District's reserves. This number increased over the prior year by \$2,063,174. The District funded the reserves in the amount of \$2,100,000 as approved by the Board of Education. This included \$1,900,000 of funding to the capital reserve, as authorized by the voters in Proposition #4 of the May 16, 2017 budget vote. The reserves also earned interest of \$2,692. These increases to the reserves were offset by the use of the employee benefit accrued liability reserve to pay sick days to retirees upon termination of \$39,518.

The unrestricted (deficit) amount of \$(6,562,926) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$1,275,781.

EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 437,068	\$ 446,842	\$ (9,774)	(2.19)%
Operating Grants	421,483	395,158	26,325	6.66 %
Capital Grants	246,929		246,929	N/A
General Revenues				
Property Taxes and STAR	19,613,697	19,129,485	484,212	2.53 %
State Sources	7,069,594	6,323,523	746,071	11.80 %
Other	287,133	369,067	(81,934)	(22.20)%
Total Revenues	<u>28,075,904</u>	<u>26,664,075</u>	<u>1,411,829</u>	5.29 %
Expenses				
General Support	2,292,661	2,279,745	12,916	0.57 %
Instruction	22,410,409	21,653,720	756,689	3.49 %
Pupil Transportation	1,274,509	1,278,642	(4,133)	(0.32)%
Debt Service - Interest	691,431	376,714	314,717	83.54 %
Food Service Program	184,790	195,532	(10,742)	(5.49)%
Total Expenses	<u>26,853,800</u>	<u>25,784,353</u>	<u>1,069,447</u>	4.15 %
Increase in Net Position	<u>\$ 1,222,104</u>	<u>\$ 879,722</u>	<u>\$ 342,382</u>	38.92 %

The District's net position increased by \$1,222,104 and \$879,722 for the years ended June 30, 2017 and 2016, respectively.

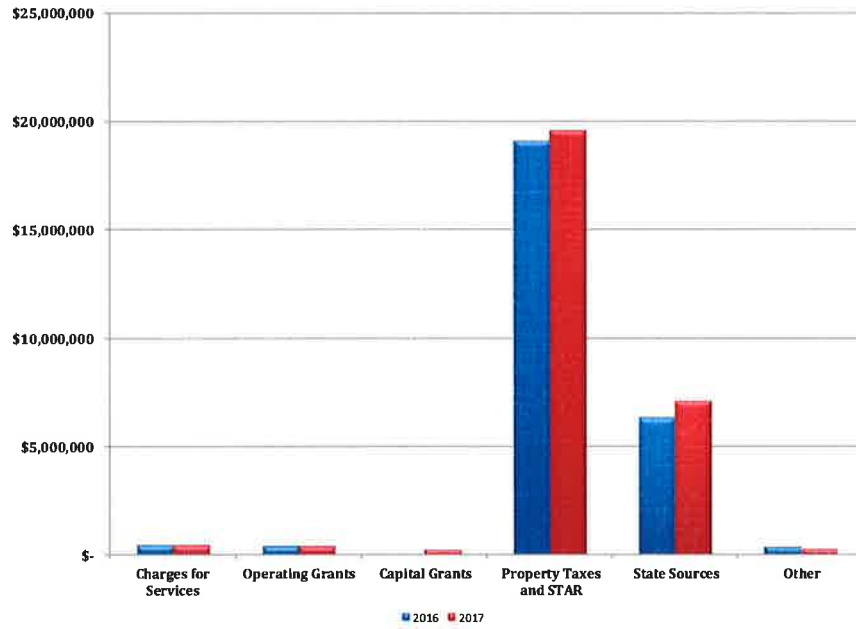
The District's revenues on the accrual basis increased by \$1,411,829 or 5.29%. The major factors that contributed to the increase were increases in property taxes and STAR revenue, capital grants and state sources.

The District's expenses on the accrual basis increased \$1,069,447 or 4.15%, primarily due to higher employee benefits expenses related to the increase in the TRS pension expense of \$1,015,334.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 69.9% and 71.7% of the total for the years 2017 and 2016, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 83.5% and 83.9% of the total for the years 2017 and 2016, respectively).

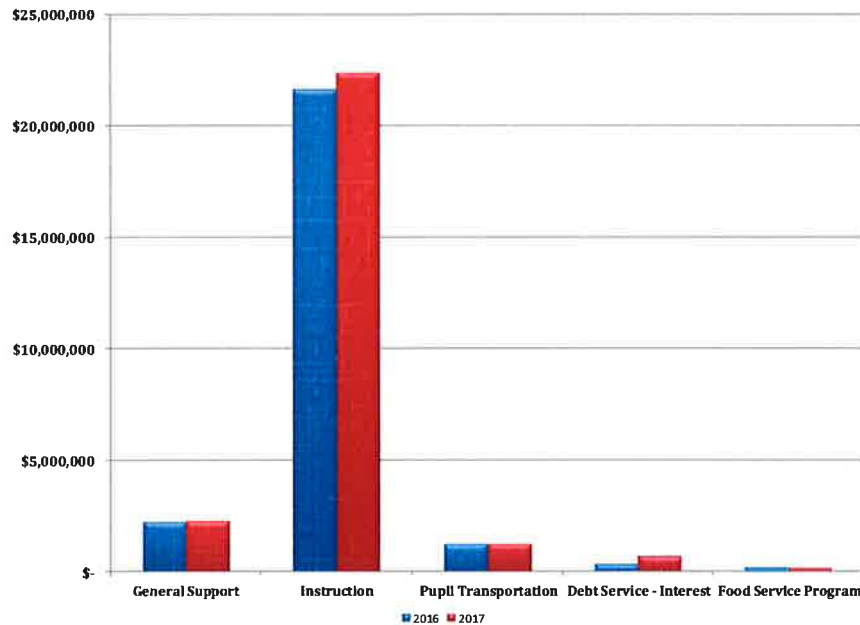
EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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



	Charges for Services	Operating Grants	Capital Grants	Property Taxes and STAR	State Sources	Other
2016	1.7%	1.5%	0.0%	71.7%	23.7%	1.4%
2017	1.6%	1.5%	0.9%	69.9%	25.2%	0.9%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2016	8.8%	83.9%	5.0%	1.5%	0.8%
2017	8.5%	83.5%	4.7%	2.6%	0.7%

EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$3,874,537, which is an increase of \$1,613,246 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2017	2016	Increase (Decrease)
General Fund			
Restricted			
Workers' compensation	\$ 87,839	\$ 87,402	\$ 437
Unemployment insurance	78,333	77,943	390
Retirement contribution	229,334	128,691	100,643
Employee benefit accrued liability	306,164	244,460	61,704
Capital	1,900,000		1,900,000
Assigned:			
Appropriated fund balance		48,564	(48,564)
Unappropriated fund balance		4,900	(4,900)
Unassigned: Fund balance	1,204,248	1,614,343	(410,095)
	<u>3,805,918</u>	<u>2,206,303</u>	<u>1,599,615</u>
School Food Service Fund			
Nonspendable: Inventory	6,220	4,369	1,851
Assigned: Unappropriated fund balance	12,370	590	11,780
	<u>18,590</u>	<u>4,959</u>	<u>13,631</u>
Capital Projects Fund			
Assigned: Unappropriated fund balance	50,029	50,029	-
Total Fund Balance	<u>\$ 3,874,537</u>	<u>\$ 2,261,291</u>	<u>\$ 1,613,246</u>

A. General Fund

The net change in the general fund – fund balance is an increase of \$1,599,615, as compared to \$215,028 in the prior year.

Revenues increased by \$1,039,796, mainly as a result of increases in property taxes and state aid. Expenditures and other financing uses decreased by \$344,791. Instruction expenditures decreased by \$439,557 (2.5%) and employee benefits decreased by \$148,164 (4.1%). The decrease in instruction expenses is primarily related to tuition. The prior year employee benefits included sick day payouts and retirement incentives to retirees of \$322,869. Current year payouts were \$39,518. This decrease in employee benefits was partially offset by increased health insurance premiums. Other expenditures and financing uses increased \$242,930 primarily due to an increase in operating transfers out of \$141,950.

B. School Food Service Fund

The net change in the school food service fund – fund balance is an increase of \$13,631, which was primarily the result of a transfer of \$30,000 from the general fund to cover the current year's operating loss of \$16,369.

EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

C. Capital Projects Fund

There was no net change in the capital projects fund – fund balance, as costs associated with the Smart Schools Bond Act project were offset by the related grant revenue.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2016-17 Budget

The District's general fund adopted budget for the year ended June 30, 2017 was \$26,874,825. This amount was increased by encumbrances carried forward from the prior year in the amount of \$4,900 and budget revisions in the amount of \$44,518 for a total final budget of \$26,924,243.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$19,609,982 in estimated property taxes and STAR.

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

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

Opening, Unassigned Fund Balance	\$ 1,614,343
Revenues Over Budget	478,822
Expenditures Under Budget	1,213,775
Allocation to Reserves	<u>(2,102,692)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 1,204,248</u></u>

Opening, Unassigned Fund Balance

The \$1,614,343 shown in the table is the portion of the District's June 30, 2016 fund balance that was retained as unassigned. This was 6.01% of the District's 2016-17 approved operating budget of \$26,874,825.

Revenues Over Budget

The 2016-17 final budget for revenues was \$26,831,261. Actual revenues for the year were \$27,310,083, \$478,822 more than estimated. The excess in state aid of \$147,717, charges for services revenue of \$197,792 and miscellaneous revenue of \$132,811, over the amounts estimated contributes directly to the change to the general fund unassigned fund balance from June 30, 2016 to June 30, 2017.

EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Expenditures Under Budget

The 2016-17 final budget for expenditures and other uses was \$26,924,243. Actual expenditures and other uses as of June 30, 2017 were \$25,710,468. The final budget was under expended by \$1,213,775. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2016 to June 30, 2017.

Allocation to Reserves

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

The \$(2,102,692) shown in the above table consists of transfers of \$100,000 to the retirement contribution reserve, \$100,000 to the employee benefit accrued liability reserve, and \$1,900,000 to the newly established capital reserve, as authorized by the voters in Proposition #4 of the May 16, 2017 budget vote. Additionally, interest earnings of \$2,692 were allocated to the reserves.

Closing Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2017 was \$1,204,248. This amount equals 4.4% of the 2017-18 budget and exceeds the 4% statutory limitation established by New York State Real Property Tax Law §1318.

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND LONG TERM LIABILITIES

A. Capital Assets

At June 30, 2017, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of \$734,061 in excess of capital additions of \$173,772 recorded for the year ended June 30, 2017. A summary of the District's capital assets, net of depreciation at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Land	\$ 265,000	\$ 265,000	\$ -
Buildings and improvements	20,547,206	21,214,799	(667,593)
Furniture and equipment	45,506	50,289	(4,783)
Vehicles	<u>292,767</u>	<u>180,680</u>	<u>112,087</u>
Capital assets, net	<u>\$ 21,150,479</u>	<u>\$ 21,710,768</u>	<u>\$ (560,289)</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Debt Administration

At June 30, 2017, the District had total bonds payable of \$16,580,000. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The decrease in outstanding debt represents principal payments. A summary of the outstanding debt at June 30, 2017 and 2016 is as follows:

Issue Date	Interest Rate	2017	2016	Increase (Decrease)
2007	3.75-4.375%	\$	\$ 260,000	\$ (260,000)
2011	4.0-4.75%	375,000	405,000	(30,000)
2012	2.0-5.0%	10,470,000	11,140,000	(670,000)
2015	2.0-3.375%	5,735,000	5,770,000	(35,000)
		<u>\$ 16,580,000</u>	<u>\$ 17,575,000</u>	<u>\$ (995,000)</u>

The District's outstanding serial bonds at June 30, 2017 are approximately 12.8% of the District's debt limit.

C. Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, net other postemployment benefits obligation and net pension liability - proportionate share. The compensated absences liability is based on employment contracts. The net other postemployment benefits obligation and the net pension liability - proportionate share are based on actuarial valuations.

	2017	2016	Increase (Decrease)
Compensated absences payable	\$ 730,940	\$ 695,438	\$ 35,502
Net other postemployment benefits obligation	10,322,757	9,543,382	779,375
Net pension liability - proportionate share	786,918	732,200	54,718
	<u>\$ 11,840,615</u>	<u>\$ 10,971,020</u>	<u>\$ 869,595</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 16, 2017, for the year ending June 30, 2018, is \$27,387,799. This is an increase of \$512,974 or 1.91% over the previous year's budget. The increase is principally in the instructional program (\$418,572), and employee benefit (\$195,518) areas of the budget, offset partially by a decrease in the debt service (\$229,107) area of the budget.

The District budgeted revenues other than property taxes and STAR at a \$216,526 increase over the prior year's estimate, which is principally due to an estimated increase in state aid. The District does not expect to appropriate any reserves towards the next year's budget. The District also has not appropriated any unassigned fund balance at June 30, 2017 to fund the budget in 2017-18, which is a \$48,564 decrease from the previous year. A property tax increase of \$345,012 (1.76%), levy to levy, was needed to meet the funding shortfall and cover the increase in projected expenditures.

EAST MORICHES UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Future Budgets

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

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's 2017-18 property tax increase of 1.76% was equal to the tax cap and did not require an override vote.

D. Property Tax Relief Credit

New York State law provides a "Property Tax Relief Credit" to eligible taxpayers for the 2016-17 through 2019-20 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check in the amount of \$130 in the first year. In subsequent years, the amount of the credit is a function of the basic STAR savings and the taxpayer's income.

This program provides an incentive for the District to be tax cap compliant.

8. CONTACTING THE DISTRICT

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

Dr. Charles Russo
Superintendent of Schools
East Moriches Union Free School District
9 Adelaide Avenue
East Moriches, NY 11940

EAST MORICHES UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

ASSETS

Cash	
Unrestricted	\$ 2,858,165
Restricted	2,601,670
Receivables	
Accounts receivable	8,897
Due from fiduciary funds	60,940
Due from state and federal	1,107,172
Due from other governments	138,018
Inventory	6,220
Capital assets:	
Not being depreciated	265,000
Being depreciated, net of accumulated depreciation	<u>20,885,479</u>
 Total Assets	 <u>27,931,561</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<u>4,515,131</u>
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LIABILITIES

Payables	
Accounts payable	1,946,574
Accrued liabilities	309,228
Due to other governments	22,401
Due to teachers' retirement system	797,298
Due to employees' retirement system	47,196
Compensated absences payable	39,518
Long-term liabilities	
Due and payable within one year	
Bonds payable	755,000
Due and payable after one year	
Bonds payable	15,825,000
Compensated absences payable	730,940
Net other postemployment benefits obligation	10,322,757
Net pension liability - proportionate share	<u>786,918</u>
 Total Liabilities	 <u>31,582,830</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>254,639</u>
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NET POSITION

Net investment in capital assets	<u>4,570,479</u>
Restricted:	
Workers' compensation	87,839
Unemployment insurance	78,333
Retirement contribution	229,334
Employee benefit accrued liability	306,164
Capital	<u>1,900,000</u>
	<u>2,601,670</u>
Unrestricted (deficit)	<u>(6,562,926)</u>
 Total Net Position	 <u>\$ 609,223</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT**Statement of Activities**

For The Year Ended June 30, 2017

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants	Capital Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General support	\$ 2,292,661	\$	\$	\$	\$ (2,292,661)
Instruction	22,410,409	337,792	359,375	246,929	(21,466,313)
Pupil transportation	1,274,509				(1,274,509)
Debt service - interest	691,431				(691,431)
Food service program	184,790	99,276	62,108		(23,406)
Total Functions and Programs	<u>\$ 26,853,800</u>	<u>\$ 437,068</u>	<u>\$ 421,483</u>	<u>\$ 246,929</u>	<u>(25,748,320)</u>
GENERAL REVENUES					
Real property taxes					17,579,882
Other tax items					2,080,175
Use of money and property					62,690
Miscellaneous					177,311
State sources					7,069,594
Medicaid reimbursement					<u>772</u>
Total General Revenues					<u>26,970,424</u>
Change in Net Position					1,222,104
Total Net Position (Deficit) - Beginning of Year					<u>(612,881)</u>
Total Net Position - End of Year					<u>\$ 609,223</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2017

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	\$ 2,822,791	\$ 7,984	\$ 27,390	\$	\$ 2,858,165
Restricted	2,601,670				2,601,670
Receivables					
Accounts receivable	8,897				8,897
Due from other funds	475,810	85,372		158,837	720,019
Due from state and federal	806,696	288,834	11,642		1,107,172
Due from other governments	138,018				138,018
Inventory			6,220		6,220
Total Assets	<u>\$ 6,853,882</u>	<u>\$ 382,190</u>	<u>\$ 45,252</u>	<u>\$ 158,837</u>	<u>\$ 7,440,161</u>
LIABILITIES					
Payables					
Accounts payable	\$ 1,931,637	\$ 4,710	\$ 10,227	\$	\$ 1,946,574
Due to other funds	158,837	375,081	16,353	108,808	659,079
Due to other governments	19,920	2,399	82		22,401
Due to teachers' retirement system	797,298				797,298
Due to employees' retirement system	47,196				47,196
Compensated absences payable	39,518				39,518
Total Liabilities	<u>2,994,406</u>	<u>382,190</u>	<u>26,662</u>	<u>108,808</u>	<u>3,512,066</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>53,558</u>				<u>53,558</u>
FUND BALANCES					
Nonspendable: Inventory			6,220		6,220
Restricted:					
Workers' compensation	87,839				87,839
Unemployment insurance	78,333				78,333
Retirement contribution	229,334				229,334
Employee benefit accrued liability	306,164				306,164
Capital	1,900,000				1,900,000
Assigned: Unappropriated fund balance			12,370	50,029	62,399
Unassigned: Fund balance	<u>1,204,248</u>				<u>1,204,248</u>
Total Fund Balances	<u>3,805,918</u>	<u>-</u>	<u>18,590</u>	<u>50,029</u>	<u>3,874,537</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,853,882</u>	<u>\$ 382,190</u>	<u>\$ 45,252</u>	<u>\$ 158,837</u>	<u>\$ 7,440,161</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total Governmental Fund Balances \$ 3,874,537

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

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

Original cost of capital assets	\$ 30,207,334	
Accumulated depreciation	<u>(9,056,855)</u>	
		21,150,479

Proportionate share of long-term 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.

Deferred outflows of resources	4,515,131	
Net pension liability - teachers' retirement system	(438,898)	
Net pension liability - employees' retirement system	(348,020)	
Deferred inflows of resources	<u>(254,639)</u>	
		3,473,574

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, but are not deferred on the Statement of Net Position.

New York State - state aid	53,558
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(309,228)	
Bonds payable	(16,580,000)	
Compensated absences payable	(730,940)	
Net other postemployment benefits obligation	<u>(10,322,757)</u>	
		<u>(27,942,925)</u>

Total Net Position	\$ <u>609,223</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, 2017

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 17,579,882	\$	\$	\$	\$ 17,579,882
Other tax items	2,080,175				2,080,175
Charges for services	337,792				337,792
Use of money and property	62,690				62,690
Miscellaneous	172,311				172,311
Interfund revenues	6,867				6,867
State sources	7,069,594	82,007	2,791	246,929	7,401,321
Medicaid reimbursement	772				772
Federal sources		277,368	59,317		336,685
Sales			99,276		99,276
Total Revenues	27,310,083	359,375	161,384	246,929	28,077,771
EXPENDITURES					
General support	1,777,889				1,777,889
Instruction	17,255,602	547,167			17,802,769
Pupil transportation	1,249,120	25,389			1,274,509
Employee benefits	3,487,226				3,487,226
Debt service					
Principal	995,000				995,000
Interest	702,450				702,450
Food service program			177,753		177,753
Capital outlay				246,929	246,929
Total Expenditures	25,467,287	572,556	177,753	246,929	26,464,525
Excess (Deficiency) of Revenues Over Expenditures	1,842,796	(213,181)	(16,369)	-	1,613,246
OTHER FINANCING SOURCES AND (USES)					
Operating transfers in		213,181	30,000		243,181
Operating transfers (out)	(243,181)				(243,181)
Total Other Financing Sources and (Uses)	(243,181)	213,181	30,000	-	-
Net Change in Fund Balances	1,599,615	-	13,631	-	1,613,246
Fund Balances - Beginning of Year	2,206,303		4,959	50,029	2,261,291
End of Year	\$ 3,805,918	\$ -	\$ 18,590	\$ 50,029	\$ 3,874,537

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, 2017

Net Change in Fund Balances \$ 1,613,246

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, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

\$ 5,000

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

Increase in compensated absences payable

(35,502)

Increase in net other postemployment benefits obligation

(779,375)

(809,877)

Capital Related Differences

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

Capital outlays

173,772

Depreciation expense

(734,061)

(560,289)

Long-Term Debt Transactions Differences

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

Repayment of bond principal

995,000

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, 2016 to June 30, 2017.

11,019

1,006,019

Pension Differences

The change 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

16,046

Employees' retirement system

(43,041)

(26,995)

Change in Net Position of Governmental Activities

\$ 1,222,104

EAST MORICHES UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2017

	<u>Agency</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash		
Unrestricted	\$ 137,313	\$
Restricted		<u>1,178</u>
Total Assets	<u>\$ 137,313</u>	<u>1,178</u>
 LIABILITIES		
Due to governmental funds	\$ 60,940	
Other liabilities	<u>76,373</u>	
Total Liabilities	<u>\$ 137,313</u>	<u>-</u>
 NET POSITION		
Restricted for scholarships		<u>\$ 1,178</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2017

	Private Purpose Trust
ADDITIONS	\$ -
DEDUCTIONS	
Scholarships and awards	<u>50</u>
Change in Net Position	(50)
Net Position - Beginning of Year	<u>1,228</u>
Net Position - End of Year	<u><u>\$ 1,178</u></u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 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 that would be included in the District's reporting entity.

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 share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

School Food Service Fund - is used to account for the activities of the food service program.

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

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Measurement Focus and Basis of Accounting

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

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

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

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board 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.

Enforcement

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

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

H. Use of Estimates

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

I. Cash and Cash Equivalents

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

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

J. Receivables

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

K. Inventory

Inventory of food in the school food service fund is recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method. Under the consumption method, a current asset for the inventory is recorded at the time of receipt and/or 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 inventory does not constitute an available spendable resource.

L. Capital Assets

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition 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 Threshold	Estimated Useful Life
Buildings and improvements	\$ 15,000	30-50 years
Furniture and equipment	500	5-20 years
Vehicles	500	5-20 years

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The second item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date.

N. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

O. Employee Benefits – Compensated Absences

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

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

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

Certain collectively bargained agreements require these payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

P. Other Benefits

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

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

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

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Q. Short-Term Debt

The District may issue revenue anticipation notes (RAN) and tax anticipation notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue 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.

R. Equity Classifications

District-Wide Statements

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

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

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

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

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

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory, which is recorded in the school food service fund.

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

Workers' Compensation Reserve

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund.

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

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

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Capital Reserve

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

Restricted for Scholarships

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance could also include an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

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

Fund Balance Classification

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

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

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

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2017, the District implemented GASB Statement No. 77, *Tax Abatement Disclosures*, which requires the District to disclose information about tax abatement agreements impacting real property tax revenue.

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

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

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

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities, including pensions.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension Differences

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus the accrual basis of accounting (whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan).

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. The following supplemental appropriations occurred during the year:

Sick day payout to retirees upon termination-funded	
by the employee benefit accrued liability reserve	\$ 39,518
Appropriations funded by additional state aid	<u>5,000</u>
	<u>\$ 44,518</u>

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments would be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid. As of June 30, 2017, the District had no outstanding encumbrances.

C. Unassigned Fund Balance

The District's general fund unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District is in the process of formulating a plan to reduce the unassigned fund balance to be within the permissible limit.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2017, the District was billed \$2,101,433 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$274,069. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2017 consisted of:

General Fund	
New York State - tuition chapter 47	\$ 257,667
New York State - excess cost aid	228,848
New York State - homeless aid	29,792
BOCES aid	274,069
Other	<u>16,320</u>
	806,696
Special Aid Fund	
Federal and state grants	288,834
School Food Service Fund	
Federal and state food service program reimbursements	<u>11,642</u>
	<u>\$ 1,107,172</u>

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2017 consisted of:

General Fund	
Other districts - tuition	<u>\$ 138,018</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2017, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 475,810	\$ 158,837	\$	\$ 243,181
Special Aid Fund	85,372	375,081	213,181	
School Food Service Fund		16,353	30,000	
Capital Projects Fund	158,837	108,808		
Total Governmental Funds	720,019	659,079	\$ 243,181	\$ 243,181
Fiduciary Funds		60,940		
Total	\$ 720,019	\$ 720,019		

The District typically transfers from the general fund to the special aid fund and school food service fund. The transfer to the special aid fund was for the District's share of the costs for the summer placement program and the state-supported Section 4201 schools. The transfer to the school food service fund was to provide support for the program per the approved budget.

10. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Governmental activities				
Capital assets not being depreciated				
Land	\$ 265,000	\$	\$	\$ 265,000
Total capital assets not being depreciated	265,000	-	-	265,000
Capital assets being depreciated				
Buildings and improvements	28,857,387			28,857,387
Furniture and equipment	56,269			56,269
Vehicles	854,906	173,772		1,028,678
Total capital assets being depreciated	29,768,562	173,772	-	29,942,334
Less accumulated depreciation for:				
Buildings and improvements	7,642,588	667,593		8,310,181
Furniture and equipment	5,980	4,783		10,763
Vehicles	674,226	61,685		735,911
Total accumulated depreciation	8,322,794	734,061	-	9,056,855
Total capital assets, being depreciated, net	21,445,768	(560,289)	-	20,885,479
Capital assets, net	\$ 21,710,768	\$ (560,289)	\$ -	\$ 21,150,479

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to governmental functions as follows:

General support	\$ 7,945
Instruction	716,095
Food service program	<u>10,021</u>
Total depreciation expense	<u>\$ 734,061</u>

11. SHORT-TERM DEBT

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

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance June 30, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2017</u>
TAN	6/15/2017	0.90%	<u>\$ 7,000,000</u>	<u>\$</u>	<u>\$ (7,000,000)</u>	<u>\$</u>

Interest on short-term debt for the year was \$61,600.

12. LONG-TERM LIABILITIES

A. Changes

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

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Long-term debt:					
Bonds payable	\$ 17,575,000	\$	\$ (995,000)	\$ 16,580,000	\$ 755,000
Other long-term liabilities					
Compensated absences	<u>695,438</u>	<u>75,020</u>	<u>(39,518)</u>	<u>730,940</u>	
	<u>\$ 18,270,438</u>	<u>\$ 75,020</u>	<u>\$ (1,034,518)</u>	<u>\$ 17,310,940</u>	<u>\$ 755,000</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2017</u>
Serial bonds - EXCEL	7/1/2011	7/1/2026	4.0-4.75%	\$ 375,000
Advance refunding bond	1/10/2012	7/1/2028	2.0-5.0%	10,470,000
Advance refunding bond	8/5/2015	7/1/2033	2.0-3.375%	<u>5,735,000</u>
				<u>\$ 16,580,000</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 755,000	\$ 607,138	\$ 1,362,138
2019	780,000	584,125	1,364,125
2020	805,000	560,334	1,365,334
2021	830,000	535,788	1,365,788
2022	860,000	506,488	1,366,488
2023 - 2027	5,010,000	1,870,916	6,880,916
2028 - 2031	6,025,000	776,366	6,801,366
2032 - 2034	1,515,000	36,306	1,551,306
Total	<u>\$ 16,580,000</u>	<u>\$ 5,477,461</u>	<u>\$ 22,057,461</u>

C. Interest Expense

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

Interest paid	\$ 640,850
Less interest accrued in the prior year	(320,247)
Plus interest accrued in the current year	<u>309,228</u>
Total interest expense on long-term debt	<u>\$ 629,831</u>

13. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 13.26% of covered payroll for the TRS' fiscal year ended June 30, 2016. The District's average contribution rate was 14.35% of covered payroll for the ERS' fiscal year ended March 31, 2017.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2017 was \$743,093 for TRS and \$149,953 for ERS.

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

At June 30, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the systems. The net pension liability was measured as of June 30, 2016, for TRS and March 31, 2017 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2016	March 31, 2017
District's proportionate share of the net pension liability	\$ (438,898)	\$ (348,020)
District's portion of the Plan's total net pension liability	0.0409790%	0.0037038%
Change in proportion since the prior measurement date	(0.0004880)	(0.0008581)

For the year ended June 30, 2017, the District recognized pension expense of \$727,047 for TRS and \$192,574 for ERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$	\$ 8,721	\$ 142,579	\$ 52,849
Changes of assumptions	2,500,244	118,896		
Net difference between projected and actual earnings on pension plan investments	986,874	69,514		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	28,635	11,958	24,252	34,959
District's contributions subsequent to the measurement date	743,093	47,196		
Total	<u>\$ 4,258,846</u>	<u>\$ 256,285</u>	<u>\$ 166,831</u>	<u>\$ 87,808</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	<u>TRS</u>	<u>ERS</u>
2018	\$ 306,500	\$ 59,094
2019	306,500	59,094
2020	1,072,933	56,171
2021	834,474	(53,078)
2022	383,383	
Thereafter	445,132	
	<u>\$ 3,348,922</u>	<u>\$ 121,281</u>

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2016	March 31, 2017
Actuarial valuation date	June 30, 2015	April 1, 2016
Inflation	2.5%	2.5%
Salary increases	1.90-4.72%	3.8%
Investment rate of return (net of investment expense, including inflation)	7.5%	7.0%
Cost of living adjustments	1.5%	1.3%

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2016		March 31, 2017
Asset type				
Domestic equity	37.0%	6.10%	36.0%	4.55%
International equity	18.0%	7.30%	14.0%	6.35%
Real estate	10.0%	5.40%	10.0%	5.80%
Alternative investments	7.0%	9.20%	18.0%	4.00-7.75%
Domestic fixed income securities	17.0%	1.00%		
Global fixed income securities	2.0%	0.80%		
Bonds and mortgages	8.0%	3.10%	17.0%	1.31%
Short-term	1.0%	0.10%		
Cash			1.0%	-0.25%
Inflation indexed bonds			4.0%	1.50%
	100.0%		100.0%	

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2015, was 8.0%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5% for TRS and 6.0% for ERS) or 1 percentage point higher (8.5% for TRS and 8.0% for ERS) than the current rate:

	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
TRS			
District's proportionate share of the net pension asset (liability)	<u>\$ (5,726,425)</u>	<u>\$ (438,898)</u>	<u>\$ 3,996,002</u>
	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
ERS			
District's proportionate share of the net pension asset (liability)	<u>\$ (1,111,508)</u>	<u>\$ (348,020)</u>	<u>\$ 297,507</u>

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<u>(Dollars in Thousands)</u>	
Measurement date	June 30, 2016	March 31, 2017
Employers' total pension liability	\$ (108,577,184)	\$ (177,400,586)
Plan fiduciary net position	<u>107,506,142</u>	<u>168,004,363</u>
Employers' net pension liability	<u>\$ (1,071,042)</u>	<u>\$ (9,396,223)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	99.01%	94.70%

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017, are paid to the system in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017, represent employer and employee contributions for the fiscal year ended June 30, 2017, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS system. Accrued retirement contributions as of June 30, 2017 amounted to \$743,093 of employer contributions and \$54,205 of employee contributions.

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, 2017, represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$47,196 of employer contributions. Employee contributions are remitted monthly.

14. PENSION PLANS - OTHER

A. 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 compensated absence payments based on collectively bargained agreements. Contributions made by the employees for the year ended June 30, 2017, totaled \$258,929.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2017 totaled \$5,850.

15. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. Plan Description

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

B. Funding Policy

The District assumes a portion of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2017, the District recognized a general fund expenditure of \$596,777 for insurance premiums for 53 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.

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution (ARC)	\$ 1,281,528
Interest on net OPEB obligation	477,169
Adjustment to ARC	<u>(382,545)</u>
Annual OPEB cost (expense)	1,376,152
Contributions made	<u>(596,777)</u>
 Increase in net OPEB obligation	 779,375
Net OPEB obligation - beginning of year	<u>9,543,382</u>
 Net OPEB obligation - end of year	 <u><u>\$ 10,322,757</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 1,376,152	43.4%	\$ 10,322,757
June 30, 2016	1,346,728	32.8%	9,543,382
June 30, 2015	1,375,103	31.9%	8,638,990

D. Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$15,390,954 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,390,954. The covered payroll (annual payroll of active employees covered by the plan) was \$7,254,005, and the ratio of the UAAL to the covered payroll was 212.2%.

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5% discount rate and an annual healthcare cost trend rate of 5.6% initially, reduced by decrements to an ultimate rate of 3.94%. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

16. RISK MANAGEMENT

General Information

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

17. TAX ABATEMENTS

The Town of Brookhaven Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced \$68,969. The District received payment in lieu of taxes (PILOT) payments totaling \$46,359.

18. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2017, the District had no outstanding encumbrances.

B. Grants

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

C. Litigation

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

EAST MORICHES UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$82,684. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 82,684
2019	79,193
2020	40,800
2021	<u>23,800</u>
	<u>\$ 226,477</u>

19. SUBSEQUENT EVENTS

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

A. Issuance of TANs

On October 3, 2017, the District issued tax anticipation notes in the amount of \$5,900,000, which are due June 27, 2018, including interest at an effective rate of 1.10%.

EAST MORICHES UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 17,625,475	\$ 17,579,882	\$ 17,579,882	\$ -
Other tax items	2,029,409	2,075,002	2,080,175	5,173
Charges for services	140,000	140,000	337,792	197,792
Use of money and property	75,000	75,000	62,690	(12,310)
Miscellaneous	34,500	39,500	172,311	132,811
Interfund revenues			6,867	6,867
Total Local Sources	19,904,384	19,909,384	20,239,717	330,333
State Sources	6,921,877	6,921,877	7,069,594	147,717
Medicaid Reimbursement			772	772
Total Revenues	26,826,261	26,831,261	27,310,083	\$ 478,822
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	48,564	48,564		
Prior Year's Encumbrances	4,900	4,900		
Appropriated Reserves	-	39,518		
Total Appropriated Fund Balance	53,464	92,982		
Total Revenues and Appropriated Fund Balance	\$ 26,879,725	\$ 26,924,243		

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
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
EXPENDITURES				
General Support				
Board of education	\$ 22,622	\$ 22,622	\$ 14,895	\$ 7,727
Central administration	303,707	307,277	294,182	13,095
Finance	256,316	298,594	276,087	22,507
Staff	43,198	43,198	23,393	19,805
Central services	1,148,987	1,148,987	963,140	185,847
Special items	231,897	220,779	206,192	14,587
Total General Support	2,006,727	2,041,457	1,777,889	263,568
Instruction				
Administration & improvement	267,571	330,533	330,533	-
Teaching - regular school	11,553,455	11,151,302	10,387,882	763,420
Programs for students with disabilities	5,529,037	5,457,757	5,457,757	-
Occupational education	182,372	262,485	262,485	-
Instructional media	369,024	438,919	410,194	28,725
Pupil services	455,597	465,437	406,751	58,686
Total Instruction	18,357,056	18,106,433	17,255,602	850,831
Pupil Transportation	1,208,230	1,249,120	1,249,120	-
Employee Benefits	3,556,863	3,563,203	3,487,226	75,977
Debt Service				
Principal	995,000	995,000	995,000	-
Interest	710,849	710,849	702,450	8,399
Total Debt Service	1,705,849	1,705,849	1,697,450	8,399
Total Expenditures	26,834,725	26,666,062	25,467,287	1,198,775
OTHER USES				
Operating Transfers Out	45,000	258,181	243,181	15,000
Total Expenditures and Other Uses	\$ 26,879,725	\$ 26,924,243	25,710,468	\$ 1,213,775
Net Change in Fund Balance			1,599,615	
Fund Balance - Beginning of Year			2,206,303	
Fund Balance - End of Year			\$ 3,805,918	

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
Schedule of Funding Progress - Other Postemployment Benefits
June 30, 2017

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2016	\$ -	\$ 15,390,954	\$ 15,390,954	0%	\$ 7,254,005	212.2%
July 1, 2014	-	14,971,787	14,971,787	0%	7,706,134	194.3%
July 1, 2013	-	21,336,215	21,336,215	0%	6,804,616	313.6%

EAST MORICHES UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
Last Three Fiscal Years

Teachers' Retirement System

	2017	2016	2015
District's proportion of the net pension asset (liability)	0.0409790%	0.0414670%	0.0407770%
District's proportionate share of the net pension asset (liability)	\$ (438,898)	\$ 4,307,050	\$ 4,542,254
District's covered payroll	\$ 6,378,545	\$ 6,420,967	\$ 6,186,562
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	(6.88)%	67.08 %	73.42 %
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%

Employees' Retirement System

	2017	2016	2015
District's proportion of the net pension liability	0.0037038%	0.0045619%	0.0042095%
District's proportionate share of the net pension liability	\$ (348,020)	\$ (732,200)	\$ (142,206)
District's covered payroll	\$ 1,028,971	\$ 1,024,918	\$ 1,269,653
District's proportionate share of the net pension liability as a percentage of its covered payroll	33.82 %	71.44 %	11.20 %
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.95%

Note to Required Supplementary Information

Teachers' Retirement System

The discount rate decreased from 8.0% to 7.5% as reflected in 2016 and 2017 above.

Employees' Retirement System

The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

EAST MORICHES UNION FREE SCHOOL DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Teachers' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 743,093	\$ 838,485	\$ 1,091,915	\$ 992,912	\$ 686,858	\$ 611,703	\$ 483,416	\$ 383,590	\$ 408,234	\$ 467,639
Contributions in relation to the contractually required contribution	<u>743,093</u>	<u>838,485</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,340,383	\$ 6,378,545	\$ 6,420,967	\$ 6,186,562	\$ 6,071,192	\$ 5,505,878	\$ 5,808,995	\$ 6,274,793	\$ 5,678,253	\$ 5,147,094
Contributions as a percentage of covered payroll	12%	13%	17%	16%	11%	11%	8%	6%	7%	9%

Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 149,953	\$ 196,420	\$ 198,094	\$ 215,025	\$ 179,362	\$ 145,906	\$ 120,342	\$ 84,511	\$ 64,520	\$ 81,585
Contributions in relation to the contractually required contribution	<u>149,953</u>	<u>196,420</u>	<u>198,094</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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,040,031	\$ 1,167,216	\$ 1,172,155	\$ 1,179,093	\$ 1,146,969	\$ 1,173,445	\$ 1,072,096	\$ 1,039,711	\$ 1,054,945	\$ 997,572
Contributions as a percentage of covered payroll	14%	17%	17%	18%	16%	12%	11%	8%	6%	8%

EAST MORICHES UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 26,874,825
Additions:	
Prior year's encumbrances	<u>4,900</u>
Original Budget	26,879,725
Budget revisions	<u>44,518</u>
Final Budget	<u><u>\$ 26,924,243</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget	<u><u>\$ 27,387,799</u></u>
Maximum allowed (4% of 2017-18 budget)	<u><u>\$ 1,095,512</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ -
Unassigned fund balance	<u>1,204,248</u>
	\$ 1,204,248
Less:	
Appropriated fund balance	-
Encumbrances	<u>-</u>
Total adjustments	<u>-</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 1,204,248</u></u>
Actual Percentage	4.40%

EAST MORICHES UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources -
Capital Projects Fund
For The Year Ended June 30, 2017

PROJECT TITLE	Budget	Budget	Expenditures			Unexpended Balance	Methods of Financing				Fund
	June 30, 2016	June 30, 2017	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	Balance June 30, 2017
Middle school renovation	\$ 977,040	\$ 977,040	\$ 927,011	\$	\$ 927,011	\$ 50,029	\$	\$	\$ 977,040	\$ 977,040	\$ 50,029
Smart Schools Bond Act		277,623		246,929	246,929	30,694		277,623		277,623	30,694
Totals	\$ 977,040	\$ 1,254,663	\$ 927,011	\$ 246,929	\$ 1,173,940	\$ 80,723	\$ -	\$ 277,623	\$ 977,040	\$ 1,254,663	80,723
Less: State aid not yet realized											(30,694)
											\$ 50,029

EAST MORICHES UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2017

Capital assets, net	<u>\$ 21,150,479</u>
Deduct:	
Short-term portion of bonds payable	755,000
Long-term portion of bonds payable	<u>15,825,000</u>
	<u>16,580,000</u>
Net Investment in Capital Assets	<u>\$ 4,570,479</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, 2017, 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 20, 2017.

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 20, 2017.

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 20, 2017

