

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

# CENTRAL ISLIP UNION FREE SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Central Islip Union Free School District

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## *Opinions*

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

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 16 and 60 through 64, 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.

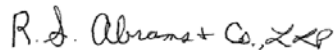
### *Other Information*

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

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

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2016, on our consideration of the Central Islip 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 Central Islip Union Free School District's internal control over financial reporting and compliance.



R.S. Abrams & Co., LLP  
Islandia, NY  
November 1, 2016

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2016 are as follows:

- On the District-Wide Financial Statements, revenues increased by 4.72% primarily as a result of an increase in state aid.
- On the District-Wide Financial Statements, expenditures increased by 1.80% primarily as a result of an increase in instructional expenses.
- On May 19, 2016, the District's residents authorized the proposed 2016-2017 budget in the amount of \$200,962,132.
- The District continued to offer all programs, without reducing services.
- The District's long-term liabilities, as reflected in the District-Wide Financial Statements, increased by \$19,386,181 primarily due to increases in the net other post employment benefits, compensated absences and pension related liabilities related expenses under GASB Statement No. 68. This was offset by decreases in bonds payable and energy performance debt payable.
- The District's net position, as reflected in the District-Wide Financial Statements, increased by \$863,116.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

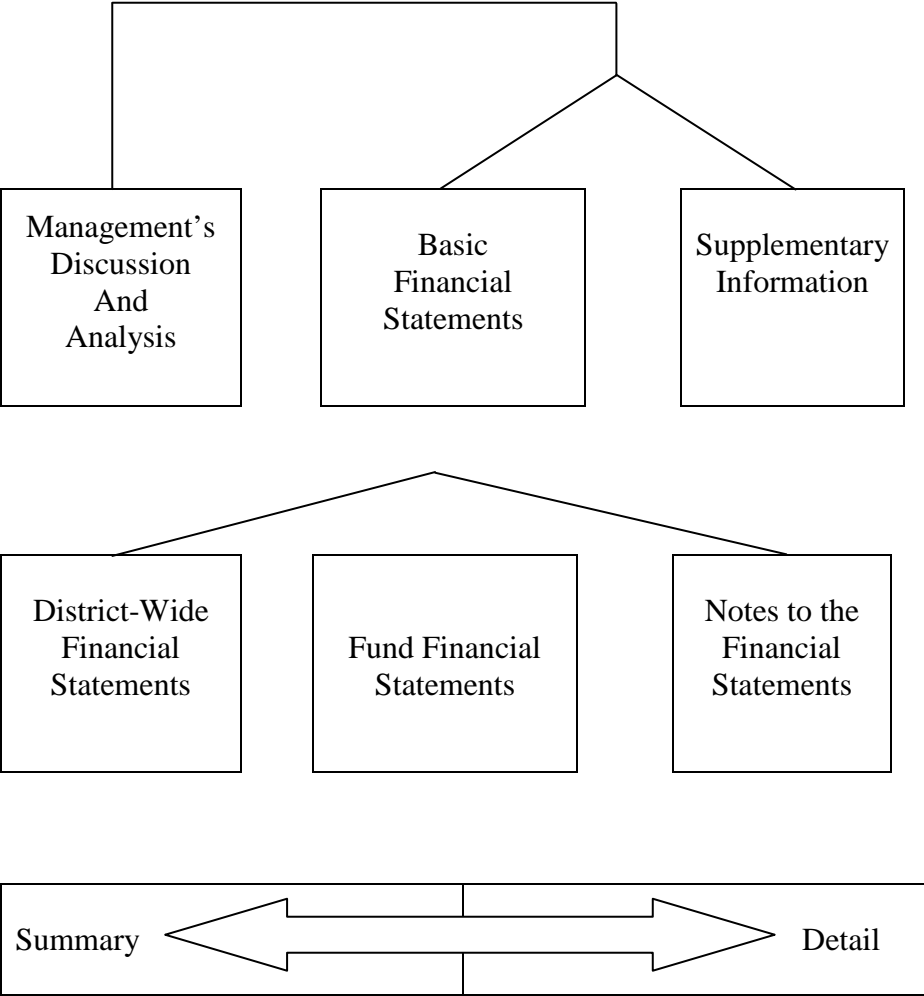
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
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- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary Funds Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the District.

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

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



**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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



**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**A) District-Wide Financial Statements**

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

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

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

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

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

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

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**B) Fund Financial Statements**

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

The District has two kinds of funds:

*i) Governmental funds:*

Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide statements, additional schedules explain the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund, debt service fund, and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

*ii) Fiduciary funds:*

The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**A) Net Position**

The District's total net position increased by \$863,116 in the fiscal year ended June 30, 2016, as detailed in Table A-3.

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

	Fiscal Year 2016	As Restated Fiscal Year 2015	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets	\$ 63,507,173	\$ 76,738,593	\$ (13,231,420)	-17.24%
Capital assets, net	90,556,566	83,346,449	7,210,117	8.65%
Net pension asset-proportionate share	52,011,658	52,978,484	(966,826)	-1.82%
Total assets	<u>206,075,397</u>	<u>213,063,526</u>	<u>(6,988,129)</u>	-3.28%
Deferred outflows of resources	24,707,828	15,873,874	8,833,954	55.65%
Total asses and deferred outflows of resources	<u>\$ 230,783,225</u>	<u>\$ 228,937,400</u>	<u>\$ 1,845,825</u>	0.81%
Liabilities:				
Other liabilities	\$ 36,613,993	\$ 38,385,745	\$ (1,771,752)	-4.62%
Long-term liabilities	215,843,160	196,456,979	19,386,181	9.87%
Total liabilities	<u>252,457,153</u>	<u>234,842,724</u>	<u>17,614,429</u>	7.50%
Deferred inflows of resources	23,532,930	40,164,650	(16,631,720)	-41.41%
Total liabilities and deferred inflows of resources	<u>275,990,083</u>	<u>275,007,374</u>	<u>982,709</u>	0.36%
Net position				
Net investment in capital assets	45,770,657	33,727,509	12,043,148	35.71%
Restricted	23,161,383	25,811,535	(2,650,152)	-10.27%
Unrestricted (deficit)	<u>(114,138,898)</u>	<u>(105,609,018)</u>	<u>(8,529,880)</u>	-8.08%
Total net position (deficit)	<u>(45,206,858)</u>	<u>(46,069,974)</u>	<u>863,116</u>	1.87%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 230,783,225</u>	<u>\$ 228,937,400</u>	<u>\$ 1,845,825</u>	0.81%

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Current assets and other assets decreased by \$13,231,420 from 2015 to 2016 primarily due to decreases in the District's cash balance which was offset by increases in state and federal aid receivable and due from other governments. Capital assets (net of depreciation) increased by \$7,210,117. This was attributable to current year capital asset additions offset by depreciation. Net pension asset-proportionate share decreased by \$966,826. This was attributed to a decrease in the district's proportionate share of the New York State Teachers' retirement pension system's total net pension asset.

Other liabilities decreased by \$1,771,752 primarily due to reductions in due to New York State Teachers' Retirement System offset by increases in due to other governments and increases in due to fiduciary funds.

Long-term liabilities increased by \$19,386,181 primarily due to increases in compensated absences, net OPEB obligation and net pension liability-proportionate share offset by decreases in bonds payable and energy performance debt payable.

The changes in deferred inflows of resources and deferred outflows of resources represent amortization of pension related items as described in Note 1 and amortization on the gain and loss on defeasance.

The net investment in capital assets, net of related debt, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$12,043,148 primarily due to a decrease in related debt and continuing work on capital projects.

The restricted net position at June 30, 2016, is comprised of amounts with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The unrestricted (deficit) relates to the balance of the District's net position. This deficit amount, (\$114,138,898), increased by \$8,529,880 from the prior year.

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**B) Changes in Net Position**

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

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

	Fiscal Year 216	Fiscal Year 2015	Increase/ (Decrease)	Total Percentage Change
Program revenues				
Charges for services	\$740,345	\$2,317,144	(\$1,576,799)	-68.05%
Operating grants	12,428,734	12,081,313	347,421	2.88%
Capital grants		1,790,832	(1,790,832)	-100.00%
General revenues				
Property taxes (including other tax items)	92,659,749	91,230,096	1,429,653	1.57%
State sources	98,868,667	88,530,118	10,338,549	11.68%
Use of money and property	296,456	304,605	(8,149)	-2.68%
Other	2,658,364	2,042,450	615,914	30.16%
Total Revenues	<u>\$207,652,315</u>	<u>\$198,296,558</u>	<u>\$9,355,757</u>	4.72%
Expenses				
General support	\$28,959,522	\$30,165,150	(\$1,205,628)	-4.00%
Instruction	159,787,592	156,126,025	3,661,567	2.35%
Pupil transportation	10,380,320	10,364,706	15,614	0.15%
Debt service - interest	1,417,774	1,459,723	(41,949)	-2.87%
Food service program	6,243,991	5,008,181	1,235,810	24.68%
Total Expenses	<u>\$206,789,199</u>	<u>\$203,123,785</u>	<u>\$3,665,414</u>	1.80%
Increase (Decrease) in net position	<u>863,116</u>	<u>(4,827,227)</u>	<u>5,690,343</u>	117.88%

The District's total fiscal year 2016 revenues totaled \$207,652,315 (See Table A-4). Property taxes (including other tax items) and state sources accounted for most of the District's revenue by contributing 44.62% and 47.61%, respectively of total District revenues (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$206,789,199 for fiscal year 2016 (See Table A-4). These expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for 82.29% of District expenses (See Table A-6). The District's general support activities accounted for 14.00% of total costs.

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Table A-5: Revenues for Fiscal Year 2016 (See Table A-4)

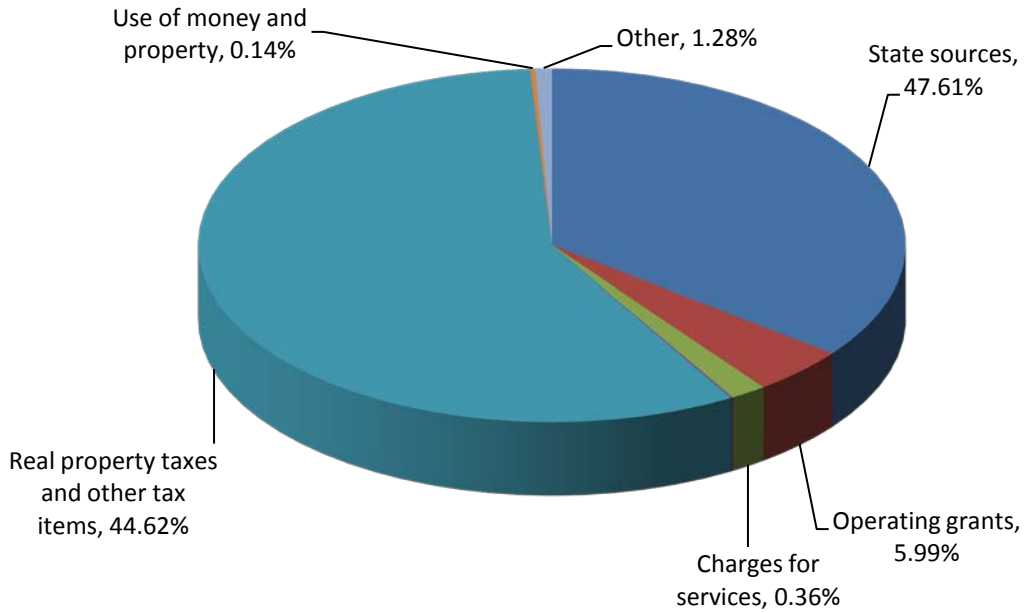
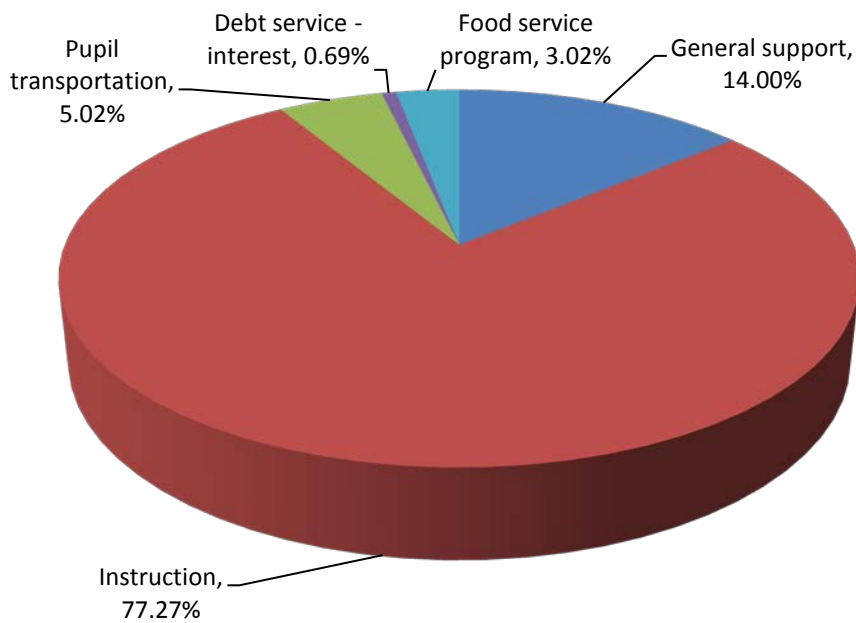


Table A-6: Expenses for Fiscal Year 2016 (See Tables A-4 and A-7)



**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**C) Governmental Activities**

Revenues for the District’s governmental activities totaled \$207,652,315 while total expenses equaled \$206,789,199. There was an increase in net position of \$5,690,343 primarily due to revenues exceeding expenses. The overall financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District’s Board and administration;
- Strategic use of services from the Eastern Suffolk BOCES; and
- Improved curriculum and community support.

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

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2016	2015	2016	2015
General support	\$28,959,522	\$30,165,150	\$28,959,522	\$30,165,150
Instruction	159,787,592	156,126,025	151,548,423	144,613,866
Pupil transportation	10,380,320	10,364,706	10,380,320	10,364,706
Debt service - interest	1,417,774	1,459,723	1,417,774	1,459,723
Food service program	6,243,991	5,008,181	1,314,081	331,051
<b>Total</b>	<b>\$206,789,199</b>	<b>\$203,123,785</b>	<b>\$193,620,120</b>	<b>\$186,934,496</b>

- The cost of all governmental activities this year was \$206,789,199 (Statement of Activities, Expenses column-see Exhibit 3).
- The users of the District’s programs financed \$740,345 of the cost (Statement of Activities, Charges for Services column-see Exhibit 3).
- The federal and state governments subsidized certain programs with operating grants of \$12,428,734. (Statement of Activities, Operating Grants and Capital Grants columns-see Exhibit 3)
- Most of the District’s net costs \$193,620,120 were financed by District taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3).

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

As of June 30, 2016, the District's combined governmental funds reported a total fund balance of \$26,139,756 which is a decrease of \$10,845,723 from the prior year. The decrease in fund balance was primarily due to an increase in capital outlay of \$9,699,545 in the capital projects fund.



**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	% Change
<b>General Fund</b>				
Restricted for workers' compensation	\$1,816,633	\$1,816,270	\$363	0.02%
Restricted for employee benefit accrued liability	11,126,830	8,383,257	2,743,573	32.73%
Restricted for retirement contribution	7,510,113	12,008,612	(4,498,499)	-37.46%
Restricted for capital improvement	2,302,936	3,198,540	(895,604)	-28.00%
Restricted for liability	76,215	76,200	15	0.02%
Assigned-appropriated for subsequent year's expenditures	3,100,000	3,000,000	100,000	3.33%
Assigned - central administration, staff, finance	36,336	29,980	6,356	21.20%
Assigned - central services	119,197	86,487	32,710	37.82%
Assigned - instruction	30,663	136	30,527	224.46%
Unassigned	7,999,097	7,616,441	382,656	5.02%
Total fund balance - general fund	<u>\$34,118,020</u>	<u>\$36,215,923</u>	<u>(\$2,097,903)</u>	-5.79%
<b>School Lunch Fund</b>				
Non spendable for inventory	\$14,361	\$15,969	(\$1,608)	-10.07%
Assigned-unappropriated	94,251	37,176	\$57,075	153.53%
Total fund balance (deficit) - school lunch fund	<u>\$108,612</u>	<u>\$53,145</u>	<u>\$55,467</u>	-104.37%
<b>Capital Projects Fund</b>				
Restricted for unspent bond proceeds	\$387,755	\$387,755	\$0	0.00%
Unassigned for capital projects	(8,803,287)	-	(8,803,287)	N/A
Total fund balance (deficit) - capital projects fund	<u>(\$8,415,532)</u>	<u>\$387,755</u>	<u>(\$8,803,287)</u>	-2270.32%
<b>Debt Service Fund</b>				
Restricted for debt service	\$ 328,656	\$ 328,656	\$ -	0.00%
Total fund balance - debt service fund	<u>\$ 328,656</u>	<u>\$ 328,656</u>	<u>\$ -</u>	0.00%
Total fund balance - all funds	<u>\$26,139,756</u>	<u>\$36,985,479</u>	<u>(\$10,845,723)</u>	-29.32%

The general fund fund balance decreased by \$2,097,903. The District increased the employee benefits accrued liability reserve by \$2,741,897 and appropriated \$896,244 from the capital reserve to fund voter approved capital improvements district-wide. The District appropriated \$4,500,000 from the retirement contribution reserve. Interest in the amount of \$4,195 was allocated to the reserves. In addition, the District increased assigned-appropriated for subsequent year's expenditures by \$100,000. The assigned for central administration, staff, central services and instruction increased by \$69,593 and the unassigned fund balance was increased by \$382,656.

The school lunch fund - fund balance increased by \$55,467 as compared to the prior year due to current year operations, which included a \$100,000 interfund transfer from the general fund.

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The capital projects fund – fund balance decreased by \$8,803,287 as compared to the prior year due to increased capital outlay. The general fund transferred \$896,244 from the capital reserve fund to fund voter approved capital improvements.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A) 2015-2016 Budget**

The District’s general fund adopted budget for the year ended June 30, 2016 was \$197,809,201. This amount was increased by encumbrances carried forward from the prior year in the amount of \$116,603, and \$896,244 from the Capital Reserve which resulted in a final budget of \$198,822,048. The majority of the funding was property taxes, including other tax items of \$92,632,178 and state aid of \$94,723,355.

**B) Change in General Fund Unassigned Fund Balance (Budget to Actual)**

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

Opening, Unassigned Fund Balance	\$7,616,441
Revenues over budget	5,125,994
Expenditures and encumbrances under budget	1,102,754
Decrease due to allocation of interest to reserves	(4,195)
Transfer to employee benefits accrued liability reserve	(2,741,897)
Assigned, Appropriated for June 30, 2017 Budget	<u>(3,100,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$7,999,097</u></u>

The revenues over budget of \$5,125,994 were primarily in state aid and miscellaneous revenue sources. (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$1,102,754 were primarily in instruction, employee benefits, central services. (See Supplemental Schedule 1 for details).

Interest earned and allocated to reserves totaled \$4,195 and consisted of \$363 to the workers’ compensation reserve, \$1,676 to the employee benefit accrued liability reserve, \$1,501 to the retirement contribution reserve, \$640 to the capital reserve and \$15 to the liability reserve.

The transfer to employee benefits accrued liability reserve of \$2,741,897 was a Board approved resolution to fund the reserve.

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The District has chosen to assign \$3,100,000 of its available June 30, 2016 fund balance to partially fund its 2016-17 approved operating budget.

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

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A) Capital Assets**

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

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

<u>Category</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Land	\$539,650	\$539,650	\$ -	0.00%
Construction in progress	13,997,234	4,297,689	9,699,545	225.69%
Buildings & building improvements	116,606,581	116,606,581	-	0.00%
Furniture & equipment	4,405,559	4,329,849	75,710	1.75%
Site improvements	3,051,918	3,051,918	-	0.00%
Subtotal	<u>138,600,942</u>	<u>128,825,687</u>	<u>9,775,255</u>	7.59%
Less: accumulated depreciation	<u>48,044,376</u>	<u>45,479,238</u>	<u>2,565,138</u>	5.64%
Total net capital assets	<u><u>\$90,556,566</u></u>	<u><u>\$83,346,449</u></u>	<u><u>\$7,210,117</u></u>	8.65%

The District spent \$9,699,545 in the capital projects fund primarily on construction in progress. The District's remaining additions to furniture and equipment were provided by the general fund and school lunch fund.

**B) Long-Term Debt**

At June 30, 2016, the District had total bonds payable of \$33,325,000 and obligation under an energy performance debt agreement of \$9,162,709. A summary of outstanding debt at June 30, 2016 follows. More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements (see note 12).

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	2016	2015	Increase (Decrease)
Serial bonds	\$33,325,000	\$37,010,000	(\$3,685,000)
Energy performance debt	9,162,709	9,892,690	(729,981)
	\$42,487,709	\$46,902,690	(\$4,414,981)

**7. FACTORS BEARING ON THE DISTRICT’S FUTURE**

A) On August 16, 2016 the District issued a bond anticipation note in the amount of \$17,000,000. On November 3, 2016 the District issued a tax anticipation note in the amount of \$16,000,000. The bond anticipation note was issued to finance on-going capital improvements district-wide and the tax anticipation note will be used to meet the cash requirement of the school district prior to the receipt of property taxes. A detail of the borrowings are listed below.

	<u>Amount</u>	<u>Rate</u>	<u>Premium</u>
Bond anticipation note	\$17,000,000	2.0%	\$212,670
Tax anticipation note	16,000,000	1.5%	62,720

B) The general fund budget for the 2016-2017 school year was approved by the voters in the amount of \$200,962,132. This is an increase of \$3,152,931 or 1.594% from the previous year’s budget. The increase was primarily due to increase in personnel and employee benefits costs.

C) The 2016-2017 budget is negatively impacted by certain trends impacting school districts. The property tax levy limit, enacted by the NYS Legislature beginning in the 2012-2013 fiscal year, continues to negatively impact school districts, especially given fluctuations in state aid.

D) New York State recently enacted a law to effectively “freeze” property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The law is effective for school districts starting with the 2014-2015 school year.

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

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

Central Islip Union Free School District  
Dr. Howard Koenig  
Superintendent of Schools  
50 Wheeler Road  
Central Islip, New York 11722  
631-348-5112

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

<b>ASSETS</b>	
Cash	
Unrestricted	\$23,963,897
Restricted	22,920,754
Receivables	
State and federal aid	8,165,193
Due from other governments	5,280,100
Due from fiduciary funds	3,049,095
Accounts receivable	113,773
Inventories	14,361
Capital assets	
Not being depreciated	14,536,884
Being depreciated, net of accumulated depreciation	76,019,682
Net pension asset-proportionate share	<u>52,011,658</u>
<b>TOTAL ASSETS</b>	<u>206,075,397</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	24,251,619
Deferred charge on refunding	<u>456,209</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$230,783,225</u></u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	\$2,391,975
Accrued liabilities	13,877,341
Accrued interest payable	636,812
Due to fiduciary funds	3,000,079
Due to other governments	2,359,415
Due to teachers' retirement system	11,600,346
Due to employees' retirement system	1,325,146
Compensated absences payable	1,418,840
Unearned credits	
Collections in advance	4,039
Long-term liabilities	
Due and payable within one year	
Bonds payable	3,820,000
Energy performance debt payable	752,451
Due and payable after one year	
Bonds payable	29,505,000
Energy performance debt payable	8,410,258
Compensated absences payable	54,554,516
Workers' compensation claims payable	2,625,806
Net pension liability-proportionate share	13,236,016
Net other post employment benefits obligation	<u>102,939,113</u>
<b>TOTAL LIABILITIES</b>	252,457,153
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	20,390,766
Gain on defeasance/premium	<u>3,142,164</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>275,990,083</u>
<b>NET POSITION</b>	
Net investment in capital assets	45,770,657
Restricted	
Workers' compensation	1,816,633
Employee benefit accrued liability	11,126,830
Retirement contribution	7,510,113
Capital	2,302,936
Property loss and liability	76,215
Debt service	328,656
Unrestricted (deficit)	<u>(114,138,898)</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>(45,206,858)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$230,783,225</u></u>

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b>FUNCTIONS / PROGRAMS</b>				
General support	\$28,959,521			(\$28,959,521)
Instruction	159,787,592	\$166,127	\$8,073,042	(151,548,423)
Pupil transportation	10,380,320			(10,380,320)
Debt service - interest	1,417,774			(1,417,774)
Food service program	6,243,991	574,218	4,355,692	(1,314,081)
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>\$206,789,199</u>	<u>\$740,345</u>	<u>\$12,428,734</u>	<u>(193,620,120)</u>
 <b>GENERAL REVENUES</b>				
Real property taxes				78,667,810
Other tax items - including STAR reimbursement				13,991,939
Use of money and property				296,456
Sale of property and compensation for loss				947,367
Miscellaneous				1,289,143
State sources				98,868,667
Medicaid reimbursement				421,854
<b>TOTAL GENERAL REVENUES</b>				<u>194,483,236</u>
 <b>CHANGE IN NET POSITION</b>				863,116
 <b>TOTAL NET POSITION - BEGINNING OF YEAR</b>				<u>(46,069,974)</u>
 <b>TOTAL NET POSITION - END OF YEAR</b>				<u>(\$45,206,858)</u>

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash						
Unrestricted	\$23,758,474	\$113,907	\$91,516			\$23,963,897
Restricted	22,832,727			\$88,027		22,920,754
Receivables						
State and federal aid	4,205,515	3,638,916	320,762			8,165,193
Due from other governments	5,280,100					5,280,100
Due from other funds	10,063,165				\$328,656	10,391,821
Accounts receivable	113,773					113,773
Inventories			14,361			14,361
<b>TOTAL ASSETS</b>	<u>\$66,253,754</u>	<u>\$3,752,823</u>	<u>\$426,639</u>	<u>\$88,027</u>	<u>\$328,656</u>	<u>\$70,849,899</u>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$1,097,248	\$114,383		\$1,180,344		\$2,391,975
Accrued liabilities	12,944,869	618,948	\$313,524			13,877,341
Due to other governments	2,359,049		366			2,359,415
Due to other funds		3,019,492	98	7,323,215		10,342,805
Due to teachers' retirement system	11,600,346					11,600,346
Due to employees' retirement system	1,325,146					1,325,146
Compensated absences	1,418,840					1,418,840
Unearned credits						
Collections in advance			4,039			4,039
<b>TOTAL LIABILITIES</b>	<u>30,745,498</u>	<u>3,752,823</u>	<u>318,027</u>	<u>8,503,559</u>	<u>-</u>	<u>43,319,907</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
New York State supplemental aid	486,939					486,939
Foster tuition	903,297					903,297
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,390,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,390,236</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Inventories			14,361			14,361
Restricted:						
Workers' compensation	1,816,633					1,816,633
Employee benefit accrued liability	11,126,830					11,126,830
Retirement contribution	7,510,113					7,510,113
Capital	2,302,936					2,302,936
Property loss and liability	76,215					76,215
Debt service					\$328,656	328,656
Unspent bond proceeds				387,755		387,755
Assigned:						
Appropriated	3,100,000					3,100,000
Unappropriated	186,196		94,251			280,447
Unassigned	7,999,097			(8,803,287)		(804,190)
<b>TOTAL FUND BALANCES</b>	<u>34,118,020</u>	<u>-</u>	<u>108,612</u>	<u>(8,415,532)</u>	<u>328,656</u>	<u>26,139,756</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$66,253,754</u>	<u>\$3,752,823</u>	<u>\$426,639</u>	<u>\$88,027</u>	<u>\$328,656</u>	<u>\$70,849,899</u>



**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2016**

Total Governmental Fund Balances \$26,139,756

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

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. The Statement of Net Position include 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	\$138,600,942	
Accumulated depreciation	<u>(48,044,376)</u>	90,556,566

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

Deferred outflows of resources - Charge on refunding	456,209	
Deferred inflows of resources - Gain on defeasance/premium	(3,142,164)	

Deferred inflows of resources-supplemental aid, and foster tuition. The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.

1,390,236

Deferred inflows of resources-The Statement of Net Position recognized revenues and expenditures received under the full accrual method. Governmental funds recognize revenue and expenditures under the modified accrual method. Deferred inflows related to pensions that will be recognized as a reduction in pension expense in future periods amounted to:

(20,390,766)

Deferred outflows of resources-The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to:

24,251,619

Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset-proportionate share for TRS at year-end was:

52,011,658

Payables that are associated with long-term liabilities that are not due and payable in the current period are not reported as liabilities in the funds.

Accrued interest payable	(636,812)	
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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 funds. Long-term liabilities at year-end consisted of:

Bonds payable	(\$33,325,000)	
Energy performance debt payable	(9,162,709)	
Compensated absences payable	(54,554,516)	
Workers' compensation claims payable	(2,625,806)	
Net pension liability-proportionate share (ERS)	(13,236,016)	
Net other post employment benefits obligation	<u>(102,939,113)</u>	<u>(215,843,160)</u>

Total Net Position (deficit) (\$45,206,858)

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Real property taxes	\$78,667,810					\$ 78,667,810
Other tax items - including STAR reimbursement	13,991,939					13,991,939
Charges for services	941,118					941,118
Use of money and property	296,437		\$19			296,456
Sale of property and compensation for loss	947,367					947,367
Miscellaneous	1,285,895		3,234	\$14		1,289,143
Interfund revenues	14,108					14,108
Local sources		\$65,827				65,827
State sources	98,868,667	3,306,188	150,738			102,325,593
Medicaid reimbursement	421,854					421,854
Federal sources		4,701,027	3,963,827			8,664,854
Surplus food			241,127			241,127
Sales			574,218			574,218
<b>TOTAL REVENUES</b>	<u>195,435,195</u>	<u>8,073,042</u>	<u>4,933,163</u>	<u>14</u>	<u>-</u>	<u>208,441,414</u>
<b>EXPENDITURES</b>						
General support	21,883,145					21,883,145
Instruction	105,551,625	8,023,527				113,575,152
Pupil transportation	10,380,320					10,380,320
Employee benefits	51,756,505	602,923				52,359,428
Debt service - principal	4,414,981					4,414,981
Debt service - interest	1,996,870					1,996,870
Cost of sales			4,977,696			4,977,696
Capital outlay				9,699,545		9,699,545
<b>TOTAL EXPENDITURES</b>	<u>195,983,446</u>	<u>8,626,450</u>	<u>4,977,696</u>	<u>9,699,545</u>	<u>-</u>	<u>219,287,137</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(548,251)</u>	<u>(553,408)</u>	<u>(44,533)</u>	<u>(9,699,531)</u>	<u>-</u>	<u>(10,845,723)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in		553,408	100,000	896,244		1,549,652
Operating transfers (out)	(1,549,652)					(1,549,652)
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<u>(1,549,652)</u>	<u>553,408</u>	<u>100,000</u>	<u>896,244</u>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE)</b>	<u>(2,097,903)</u>		<u>55,467</u>	<u>(8,803,287)</u>		<u>(10,845,723)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>36,215,923</u>		<u>53,145</u>	<u>387,755</u>	<u>328,656</u>	<u>36,985,479</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$34,118,020</u>	<u>\$ -</u>	<u>\$108,612</u>	<u>(\$8,415,532)</u>	<u>\$328,656</u>	<u>\$26,139,756</u>

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances		(\$10,845,723)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.		(774,991)
In the Statement of Activities, certain operating expenses-compensated absences (vacation and sick days), are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used.		(1,717,105)
Workers' compensation claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Accrued claims payable from June 30, 2015 to June 30, 2016 changed by:		(399,817)
Increases/decreases in the proportionate share of net position asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		
	Teachers' retirement system	\$14,019,289
	Employees' retirement system	<u>(480,979)</u>
		13,538,310
Increases in net other post employment benefits obligation reported in the Statement of Activities does not require the use of current financial resources and therefore are not reported in the governmental funds.		(11,141,752)
Long-Term Debt Transactions		
Repayment of bond and energy performance debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		4,414,981
Interest on debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2015 to June 30, 2016 changed by:		161,046
Governmental funds report the premiums, discounts and similar items on the refunded debt when the debt is first issued. These amounts are deferred and amortized in the Statement of Activities. Amortization for the fiscal year ended June 30, 2016 was:		418,050
Capital Related Items		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. For governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
	Capital outlays	\$9,839,482
	Depreciation expense	<u>(2,629,365)</u>
		<u>7,210,117</u>
Change in Net Position of Governmental Activities		<u><u>\$863,116</u></u>

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash - Restricted	\$5,405	\$325,675
Due from trust and agency	3,252	
Due from special aid fund		<u>3,000,079</u>
<b>TOTAL ASSETS</b>	<u><u>\$8,657</u></u>	<u><u>\$3,325,754</u></u>
 <b>LIABILITIES</b>		
Extraclassroom activity funds		\$106,359
Due to private purpose trust fund		3,252
Due to general fund		3,049,095
Other liabilities		<u>167,048</u>
<b>TOTAL LIABILITIES</b>		<u><u>\$3,325,754</u></u>
 <b>NET POSITION</b>		
Restricted for scholarships	<u>\$8,657</u>	
<b>TOTAL NET POSITION</b>	<u><u>\$8,657</u></u>	

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b><u>Private Purpose Trust Fund</u></b>
<b>ADDITIONS</b>	
Interest and earnings	\$3
<b>TOTAL ADDITIONS</b>	<u>3</u>
 <b>DEDUCTIONS</b>	
Disbursements	1,432
<b>TOTAL DEDUCTIONS</b>	<u>1,432</u>
 <b>CHANGE IN NET POSITION</b>	 (1,429)
 <b>NET POSITION - BEGINNING OF YEAR</b>	 <u>10,086</u>
 <b>NET POSITION - END OF YEAR</b>	 <u><u>\$8,657</u></u>

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of Central Islip Union Free School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the District are described below:

**A) Reporting entity:**

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of seven 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. The Board has authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, and by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The District reports these assets held by its agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund.

**B) Joint venture:**

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

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

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

**C) Basis of presentation:**

i) District-Wide Financial Statements

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

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

**Debt service fund:** This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

The District reports the following fiduciary funds:

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



**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

**D) Measurement focus and basis of accounting:**

The District-Wide Financial Statements 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 property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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 six months after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

**E) Real property taxes:**

i) Calendar

Real property taxes are levied annually by the Board of Education no later than October 1, and become a line on December 1. The District's tax levy is collected by the Town of Islip. Tax collections are remitted to the District and Town Comptrollers until their respective tax levies are satisfied.

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

ii) Enforcement

Uncollected real property taxes are subsequently enforced by the County in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

**F) Restricted resources:**

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

**G) Interfund transactions:**

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

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

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

**H) Estimates:**

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

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**I) Cash and investments:**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

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

**J) Receivables:**

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

**K) Inventories and prepaid items:**

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

Non-spendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures. The District has inventory of \$14,361 recorded as non-spendable fund balance as of June 30, 2016.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the statement of net assets or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2016.

**L) Capital assets:**

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

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

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building & building improvements	\$500,000	Straight-line	50-25 years
Site Improvement	\$25,000	Straight-line	20 years
Furniture & Equipment	\$5,000	Straight-line	5-20 years

**M) Collections in advance:**

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. Collections in advance consists of amounts for pre-paid student meals in the school lunch fund.

**N) Deferred Outflows and Inflows of Resources:**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualifies for reporting in this category. The first is the financial effect of deferred charges on advance refunding of general obligation serial bonds. The District reported \$456,209 deferred outflows of resources that resulted from the difference in the net carrying value of the refunded debt over its reacquisition price. The second item is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS), the net difference between projected and actual investment earnings on pension plan investments (ERS), changes of assumptions (ERS), changes in proportion and difference between the District's contributions and proportionate share of contributions (ERS) and the District's contributions to the pension systems subsequent to the measurement date (ERS and TRS).

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

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflows of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. The deferred inflows of resources on the Fund Level Statements represent New York State Supplemental and foster tuition amounts. In subsequent periods, when the availability criterion is met, deferred inflows are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

**O) Vested employee benefits:**

Compensated absences

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

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

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

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

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

**P) Other benefits:**

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

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 GSB Statement No. 45.

**Q) Short-term debt:**

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

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities in the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN issued for capital purposes be converted to long-term financing within five years after the original issue dated.

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

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

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

**S) Equity Classifications:**

i) District-Wide Financial Statements

In the District-Wide Financial Statements, there are three classes of net position:

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

ii) Fund Financial Statements

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

- (1) **Nonspendable fund balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school lunch fund of \$14,361.
- (2) **Restricted fund balance** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

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

Workers’ Compensation Reserve

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

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Employee Benefit Accrued Liability Reserve

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

Retirement Contribution Reserve

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

Capital Reserve

Capital reserve (GM §3651), this must be 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. This reserve is accounted for in the general fund under restricted fund balance.

Property Loss and Liability Reserve

Property loss and liability reserve (GML §6-h) must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund.

Debt Service

The unexpected balances of proceeds from borrowings for capital projects, interest and earnings from investing proceeds of borrowings, and borrowing premiums can be recorded as amounts restricted for debt service. These restricted funds are accounted for in the debt service fund.



**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Restricted for Unspent Bond Proceeds

Unspent bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. This restricted fund balance is accounted for in the capital projects fund.

Restricted for Scholarships

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

- (3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2016.
- (4) **Assigned fund balance** – Includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.
- (5) **Unassigned fund balance** –Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

The unassigned deficit fund balance in the capital projects fund of \$8,803,287 will be eliminated once permanent financing is obtained.

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

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

**T) Future Changes in Accounting Standards:**

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

GASB has issued Statement No. 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017. This statement defines tax abatements and provides for increased disclosures including authority, eligibility criteria, dollar amount of taxes abated, and other information.

GASB has issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, which is effective for the year ended June 30, 2017. This statement addresses issues in the previously issued pension statements regarding payroll related measures in the required supplementary information, the selection of assumptions and deviations from other guidance, and the treatment of employee (plan member) contributions made by employers.

These are the statements that the District feels may have an impact on these financial statements and are not an all inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:**

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

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

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

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of the three broad categories. The amounts shown below represent:

i) Long-term revenue and expense differences:

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

ii) Long-term debt transaction differences:

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

iii) Capital related differences:

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

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**A) Budgets:**

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
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original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #5.

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

**B) Encumbrances:**

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

**NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:**

**A) Cash:**

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

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

**Restricted cash:**

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2016 included \$22,920,754 within the governmental funds for capital projects, debt service, and general reserve purposes and \$331,080 in the fiduciary funds.

**B) Investments:**

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

**C) Investment Pool:**

The District participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total investments of the cooperative as of year-end are \$73,811,267 which consists of \$20,734,000 in repurchase agreements, \$23,000,000 in U.S. Treasury Securities, \$30,076,676 in collateralized bank products with various interest rate and due dates and \$591 in cash.

At June 30, 2016 the District held \$264,869 in investments consisting of various investments in securities issued by the United States and its agencies.

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The following amounts are included as cash:

Fund	Carrying Amount
General fund	\$217,310
Capital projects fund	47,559
	\$264,869

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is exempt from NYS collateral requirements. Cooperative Liquid Assets Securities System – New York (NYCLASS) is rated AAAM by Standard and Poor's Ratings Agency. Additional information concerning the cooperative is presented in the annual report of NYCLASS, 113 King Street, Armonk, New York 10504, available at: [HTTP://WWW.NEWYORK-CLASS.ORG](http://www.newyork-class.org).

**NOTE 5 – PARTICIPATION IN BOCES:**

During the year, the District was billed \$18,361,471 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$4,002,714. Financial statements for the BOCES are available from the BOCES administrative office at Eastern Suffolk Board of Cooperative Educational Services, James Hines Administration Center, 201 Sunrise Highway Patchogue, NY 11772.

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**NOTE 6 – STATE AND FEDERAL AID RECEIVABLES:**

State and federal aid receivables at June 30, 2016 consisted of the following:

Description	General Fund	Special Aid Fund	School Lunch Fund	Total
State aid-general aid	\$874,088			\$874,088
State aid-excess cost	3,189,962			3,189,962
Federal medicaid	141,465			141,465
State & local grants		\$1,621,538		1,621,538
Federal grants		2,017,378		2,017,378
Snack-federal			\$3,243	3,243
Breakfast-federal			149,977	149,977
Lunch-federal			155,764	155,764
Breakfast - state			7,899	7,899
Lunch - state			3,879	3,879
Total	<u>\$4,205,515</u>	<u>\$3,638,916</u>	<u>\$320,762</u>	<u>\$8,165,193</u>

District management has deemed the amounts to be fully collectible.

**NOTE 7 – DUE FROM OTHER GOVERNMENTS:**

Due from other governments in the general fund at June 30, 2016 consisted of the following:

Foster tuition	\$949,199
Health services to non-resident students	2,032
Charges for services	10,975
In-lieu of property taxes	131,189
Central Islip Public Library--reimbursement debt service payment	183,991
BOCES aid	4,002,714
Total	<u>\$5,280,100</u>

District management has deemed these amounts to be fully collectible.

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**NOTE 8 - CAPITAL ASSETS:**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$539,650			\$539,650
Construction in progress	4,297,689	\$9,699,545		13,997,234
Total nondepreciable capital assets	<u>4,837,339</u>	<u>9,699,545</u>	<u>\$ -</u>	<u>14,536,884</u>
Capital assets being depreciated				
Building & building improvement	116,606,581			116,606,581
Furniture and equipment	4,329,849	139,937	(64,227)	4,405,559
Land improvement	3,051,918			3,051,918
Total depreciable capital assets	<u>123,988,348</u>	<u>139,937</u>	<u>(64,227)</u>	<u>124,064,058</u>
Less accumulated depreciation:				
Building & building improvement	40,331,735	2,241,072		42,572,807
Furniture and equipment	3,260,498	275,900	(64,227)	3,472,171
Land improvement	1,887,005	112,393		1,999,398
Total accumulated depreciation	<u>45,479,238</u>	<u>2,629,365</u>	<u>(64,227)</u>	<u>48,044,376</u>
Total capital assets being depreciated, net	<u>78,509,110</u>	<u>(2,489,428)</u>		<u>76,019,682</u>
Total capital assets, net	<u>\$83,346,449</u>	<u>\$7,210,117</u>	<u>\$ -</u>	<u>\$90,556,566</u>

Depreciation expense was charged to the governmental functions as follows:

Instruction	\$2,470,302
General support	144,454
Food service	14,609
	<u>\$2,629,365</u>



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**NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:**

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$10,063,165			\$1,549,652
Special aid fund		\$3,019,492	\$553,408	
School lunch fund		98	100,000	
Debt service fund	328,656			
Capital projects fund		7,323,215	896,244	
Total government activities	10,391,821	\$10,342,805	1,549,652	1,549,652
Fiduciary agency fund	3,000,079	3,049,095		
Totals	<u>\$13,391,900</u>	<u>\$13,391,900</u>	<u>\$1,549,652</u>	<u>\$1,549,652</u>

The District typically transfers from the general fund to the special aid fund to fund the District's local share of summer school handicap expenses required by New York State Law, to fund the preschool program and to fund the State Supported Section 4201 schools. Beginning in the 2011-2012 school year, the State Supported Section 4201 schools were authorized under Chapter 58 of the Laws of 2011 to bill the District at time of initial admission for the cost of the 10-month school year education. The transfer to the school lunch fund was done to fund operations. The District transferred from the general fund to the capital projects fund to fund capital projects.

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

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

**NOTE 10 – DUE TO OTHER GOVERNMENTS:**

Due to other governments at June 30, 2016 consisted of the following:

General Fund	
Due to NYS governmental agencies	\$353,472
Due to Suffolk County governmental agencies	84,123
Due to Town of Islip	2,358
Central Islip Public Library	26,330
Due to BOCES & local public schools	1,892,766
Total General Fund	<u>2,359,049</u>
School Lunch Fund	
Due to NYS Department of Taxation	366
Total School Lunch Fund	<u>366</u>
Total All Funds	<u>\$2,359,415</u>

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
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**NOTE 11 - SHORT-TERM DEBT:**

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN	6/27/2016	1.50%	\$ -	\$17,000,000	\$17,000,000	\$ -
			\$ -	\$17,000,000	\$17,000,000	\$ -

Interest expense on short term debt for the year was \$154,417. The Tax Anticipation Note (TAN) was issued for interim financing of general fund operations.

**NOTE 12 – LONG – TERM LIABILITIES:**

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt					
Bonds payable	\$37,010,000		\$3,685,000	\$33,325,000	\$3,820,000
Energy performance debt payable	9,892,690		729,981	9,162,709	752,451
Other long-term liabilities:					
Compensated absences payable	52,837,411	\$3,135,945	1,418,840	54,554,516	
Claims payable	2,225,989	11,889,641	11,489,824	2,625,806	
Net pension liability-proportionate share	2,693,528	15,307,163	4,764,675	13,236,016	
Net OPEB obligation	91,797,361	17,366,156	6,224,404	102,939,113	
Total long-term liabilities	<u>\$196,456,979</u>	<u>\$47,698,905</u>	<u>\$28,312,724</u>	<u>\$215,843,160</u>	<u>\$4,572,451</u>

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, energy performance debt, compensated absences, claims payable, net other post employment benefits obligation and net pension liability.

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
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**A) Bonds Payable:**

Existing serial and statutory bond obligations are comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Refunding-Serial Bond	5/17/2013	7/15/2023	2.0 - 5.0%	\$ 21,825,000
Serial Bond	9/13/2012	9/1/2028	4.20%	4,100,000
Serial Bond	5/29/2008	6/15/2018	3.13 - 3.50%	350,000
Serial Bond	9/12/2014	9/01/2028	2.0 - 3.0%	7,050,000
				<u>\$ 33,325,000</u>

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

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,820,000	\$ 1,306,625	\$ 5,126,625
2018	3,935,000	1,147,300	5,082,300
2019	4,005,000	978,425	4,983,425
2020	4,135,000	803,875	4,938,875
2021	4,310,000	606,050	4,916,050
2022-2026	10,695,000	1,070,750	11,765,750
2027-2029	2,425,000	107,025	2,532,025
	<u>\$ 33,325,000</u>	<u>\$ 6,020,050</u>	<u>\$ 39,345,050</u>

In the prior year, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements.

**Unissued Debt**

On April 7, 2014, the District voters approved a Capital Projects Bond Proposition authorizing the construction of improvements to all District school buildings and/or sites and obtaining the necessary funding through the issuance of up to \$24,890,000 in serial bonds. The principal and interest of said serial bonds shall be paid through the levy and collection of taxes of on all taxable real property in the District in addition to the authorization of up to \$5,202,010 to be expended from the District's Capital Reserve fund to pay for a portion of the cost of the capital project.

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**B) Energy performance debt payable:**

Energy performance debt is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Energy Performance Debt	7/15/2011	10/15/2026	3.05%	\$9,162,709
				<u>\$9,162,709</u>

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

Fiscal Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$752,451	\$274,200	\$1,026,651
2018	775,612	251,038	1,026,650
2019	799,486	227,164	1,026,650
2020	824,096	202,554	1,026,650
2021	849,462	177,188	1,026,650
2022-2026	4,655,999	477,251	5,133,250
2027	505,603	7,723	513,326
	<u>\$9,162,709</u>	<u>\$1,617,118</u>	<u>\$10,779,827</u>

**C) Long-term Interest:**

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

	<u>Total</u>
Interest paid	\$1,842,453
Less interest accrued in the prior year	(797,858)
Plus interest accrued in the current year	636,812
Less amortization of deferred amounts	<u>(418,050)</u>
Total expense	<u>\$1,263,357</u>

**NOTE 13 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:**

A) The deferred inflows of resources on the Fund Level Statements represent New York State Supplemental and foster tuition amounts. In subsequent periods, when the availability criterion is met, deferred inflows are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

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**B)** The deferred charge on refunding and the gain on defeasance pertaining to the 2013 refunding and 2014 bond issuance are recorded in the District-Wide Financial Statements as deferred outflows/inflows of resources at June 30, 2016 consisted of the following:

	<u>6/30/15</u>	<u>Amortization</u>	<u>6/30/16</u>
Deferred charge on refunding	531,203	(74,994)	456,209
Gain on defeasance/bond premium	(3,635,208)	493,044	(3,142,164)

The deferred charge on refunding of the advanced refunding and the gain on defeasance are being amortized on the District-Wide Financial Statements using the straight-line method over 12 years, the time to maturity of the refunded bonds, at the point of refunding. The bond premium on the 2014 issuance is being amortized over 14 years, for the life of the new bonds from the date of issuance.

**NOTE 14 – PENSION PLANS:**

**A) Plan Description and Benefits Provided**

i) Teachers’ Retirement System

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

ii) Employees’ Retirement System

The District participates in the New York State and Local Employees’ Retirement System (ERS) (the System). This is a cost-sharing multiple –employer retirement

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

**B) Funding Policies:**

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
  - a. Employees who joined the system after July 27, 1976
    - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
  - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
    - i. Employees contribute 3.5% of their salary throughout active membership.
  - c. Employees who joined the system on or after April 1, 2012
    - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.
  
2. New York State Employees' Retirement System
  - a. Employees who joined the system after July 27, 1976
    - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
  - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
    - i. Employees contribute 3% of their salary throughout active membership.
  - c. Employees who joined the system on or after April 1, 2012
    - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

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For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

	<u>NYSERS</u>	<u>NYSTRS</u>
2016	\$ 4,629,915	\$ 10,079,951
2015	\$ 4,690,236	\$ 13,185,891
2014	\$ 4,776,707	\$ 11,416,114

**C) Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions:**

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Net pension asset/(liability)	\$ (13,236,016)	\$ 52,011,658
District's portion of the Plan's total net pension asset/(liability)	0.0824660%	0.500747%
Change in proportion since prior measurement date	0.0027344%	0.025151%

For the year ended June 30, 2016, the District recognized pension expense (credit) of \$5,110,894 for ERS and (\$3,554,457) for TRS. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflow of Resources</u>		<u>Deferred Inflow of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 66,885		\$ 1,568,909	\$ 1,441,465
Changes of assumptions	3,529,646			
Net difference between projected and actual earnings on pension plan investments	7,852,331			16,441,156
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,397,660			939,236
District's contributions subsequent to the measurement date	<u>1,325,146</u>	<u>\$ 10,079,951</u>	<u>\$ 1,568,909</u>	<u>\$ 18,821,857</u>
	<u>\$ 14,171,668</u>	<u>\$ 10,079,951</u>	<u>\$ 1,568,909</u>	<u>\$ 18,821,857</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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>ERS</u>	<u>TRS</u>
Plan Year ended:		
2016		\$ (6,746,065)
2017	\$ 2,888,175	(6,746,065)
2018	2,888,175	(6,746,065)
2019	2,888,175	2,619,535
2020	2,613,088	(294,376)
Thereafter	-	(908,821)

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:



**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7.0%	8.0%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.50%	3.0%

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

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

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

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Measurement date</u>	<u>ERS</u> March 31, 2016	<u>TRS</u> June 30, 2015
<u>Asset type</u>		
Domestic equity	7.30%	6.50%
International equity	8.55%	7.70%
Private equity	11.00%	
Real estate	8.25%	4.60%
Absolute return strategies	6.75%	
Opportunistic portfolio	8.60%	
Real assets	8.65%	
Bonds and mortgages	4.00%	
Cash	2.25%	
Inflation-indexed bonds	4.00%	
Alternative investments		9.90%
Domestic fixed income securities		2.10%
Global fixed income securities		1.90%
Mortgages		3.40%
Short-term		1.20%

Discount Rate

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

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

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

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share Of the net pension asset (liability)	(\$29,846,255)	(\$13,236,016)	\$798,926
TRS	1% Decrease (7%)	Current Assumption (8%)	1% Increase (9%)
Employer's proportionate share Of the net pension asset (liability)	(\$3,547,866)	\$52,011,658	\$99,392,266

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Valuation date	April 1, 2015	June 30, 2014
Employers' total pension (liability)	\$ (172,303,544)	\$ (99,332,103,743)
Plan fiduciary net position	156,253,265	109,718,916,659
Employers' net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ 10,386,812,916</u>
Ratio of plan fiduciary net position to the Employers' total pension asset/(liability)	90.68%	110.46%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$1,325,146.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$11,600,346.

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 15 – OTHER RETIREMENT PLANS:**

**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 termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2016, totaled \$22,500 and \$4,426,248 respectively.

**B) Deferred Compensation Plan:**

The District 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, 2016 totaled \$1,561,897.

**NOTE 16 – POST EMPLOYMENT (HEALTH INSURANCE) BENEFITS:**

**A) Plan Description:**

The District provides primarily post-employment health insurance coverage (the Healthcare Plan) to retired employees and their spouses in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program Empire Plan (NYSHIP) (the “Plan”), which is a single-employer defined benefit healthcare plan administered by New York State and the United Public Service Employees’ Union Benefit Plan (UPSEU) (the “Plan”), which is a fully insured, community rated plan maintained by Local 74 of the United Service Workers Union.

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

**B) Funding Policy:**

The contribution requirements of plan members and the District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016, the District contributed \$6,224,404 to the Plan. Plan members receiving benefits contributed either a fixed annual amount ranging between \$200 and \$900 or 0% - 15% of the health insurance premium.

**C) Annual OPEB Cost and Net OPEB Obligation:**

The District’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District net OPEB obligation to the Plan:

<b>Annual OPEB Cost and Net OPEB Obligation</b>	
Annual required contribution	\$19,123,541
Interest	3,723,481
Adjustment to Annual Required Contribution	(5,480,866)
Annual OPEB Cost (expense)	17,366,156
Contributions Made	(6,224,404)
Increase in net OPEB obligation	11,141,752
Net obligation beginning of year	91,797,361
Net obligation end of year	\$102,939,113

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$17,366,156	\$6,224,404	36%	\$102,939,113
June 30, 2015	\$17,674,495	\$5,856,623	33%	\$91,797,361
June 30, 2014	\$18,888,246	\$5,809,418	31%	\$79,979,489

**Funded Status and Funding Progress:**

As of July 1, 2014, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was \$219,729,708 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$219,729,708. The covered payroll (annual payroll of active employees covered by the Plan) was \$77,027,937 and the ratio of the UAAL to the covered payroll was 285%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information provides multiyear trend

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**D) Actuarial Methods and Assumptions:**

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

In the July 1, 2014 actuarial valuation prepared by an outside actuarial firm, the entry age normal cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 4% and an annual healthcare cost trend rate of 8% initially, reduced by decrements of 1% to an ultimate rate of 5% over 3 years. The UAAL is being amortized using the level dollar amortization of payroll method over an open period of 30 years.

**NOTE 17 – RISK MANAGEMENT:**

**A) General:**

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; 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 reserves and commercial insurance coverage for the past three years.

**B) Consortiums and Self Insured Plans:**

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims which were incurred on or before year-end but not paid. As of June 30, 2016, the District has incurred but unpaid claims liability in the amount of \$2,625,806 and has a restricted fund balance for workers' compensation in the amount of \$1,816,633.

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Claims activity for the current and preceding year is summarized below:

	2016	2015
Unpaid claims at beginning of year	\$2,225,989	\$2,311,338
Incurred claims and claim adjustment expenses	11,889,641	10,204,998
Claims payments	(11,489,824)	(10,290,347)
Unpaid claims at year end	\$2,625,806	\$2,225,989

**NOTE 18 – COMMITMENTS AND CONTINGENCIES:**

**A) Assigned: Appropriated**

The amount of \$3,100,000 has been appropriated as the amount estimated to fund the general fund budget for the year ending June 30, 2017.

**B) Encumbrances:**

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2016, the District encumbered the following amounts.

General Fund	
General support	\$ 155,533
Instruction	30,663
Total General Fund	186,196
Capital Projects Fund	
Capital Projects	7,777,631
Total - All Funds	\$ 7,963,827

**C) Grants:**

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

**D) Building Aid Penalty:**

Section 31 of Chapter 57 of the Laws of 2012 provides for amnesty for late filed construction final cost reports. Under this provision, rather than losing all aid associated with projects, a late filing penalty is assessed. By Memorandum and Order dated October

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

30, 2014, the Appellate Division found that the District would be allowed to receive building aid but would be subject to the 2012 Amnesty Legislation that imposes a penalty provision. The total estimated loss of building aid will be \$5,460,000. The June 2014 State aid payment was reduced by \$2,104,606 as a lump sum recoupment of prior year revisions through June 30, 2013. The June 2016 State aid payment was reduced by \$187,140. The balance of payments due will be recouped on an amortized basis from future aid payments. The final recoupment payment scheduled to be made is in fiscal year 2023-24.

**E) Litigation:**

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

**F) Operating Leases:**

The District leases various equipment under non-cancelable leases. Lease expense for the fiscal year was approximately \$325,495. The following is a summary of obligations of government activities under operating lease payments:

Fiscal Year Ended	Total
<u>June 30,</u>	<u></u>
2017	\$371,166
2018	337,543
2019	279,567
2020	80,127
Total Lease Payments	<u>\$1,068,403</u>

**NOTE 19 – SUBSEQUENT EVENTS:**

A) The District issued a bond anticipation note (BAN) in the amount of \$17,000,000 and a tax anticipation note (TAN) in the amount of \$16,000,000. The bond anticipation note was issued to finance on-going capital improvements district-wide and the tax anticipation note will be used to meet the cash requirement of the District prior to the receipt of real property taxes. A detail of the borrowings are listed below.

<u>Description</u>	<u>Date issued</u>	<u>Due Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Premium</u>
BAN	08/16/16	08/16/17	\$17,000,000	2.0%	\$212,670
TAN	11/03/16	06/27/17	\$16,000,000	1.5%	62,720



**SUPPLEMENTARY INFORMATION**

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$88,740,847	\$78,665,110	\$78,667,810	\$2,700
Other real property tax items	3,000,000	13,967,068	13,991,939	\$24,871
Charges for services	4,070,000	706,298	941,118	234,820
Use of money & property		380,390	296,437	(83,953)
Sale of property & compensation for loss	100,000	834,000	947,367	113,367
Miscellaneous		692,980	1,285,895	592,915
Interfund revenues		15,000	14,108	(892)
State Sources				
Basic formula	93,773,354	67,217,605	68,256,461	1,038,856
Excess cost aid		10,959,785	13,189,535	2,229,750
Lottery grant		11,641,500	11,748,123	106,623
BOCES aid		3,915,657	4,002,714	87,057
Tuition			108,073	108,073
Textbook aid		448,001	448,001	-
Computer software aid		244,851	244,851	-
Library A/V loan program aid		45,956	45,956	-
Other state aid		250,000	824,953	574,953
Federal Sources				
Medicaid reimbursement	625,000	325,000	421,854	96,854
<b>TOTAL REVENUES AND OTHER SOURCES</b>	<b>190,309,201</b>	<b>190,309,201</b>	<b>\$195,435,195</b>	<b>\$5,125,994</b>
Appropriated Fund Balance	3,000,000	3,000,000		
Appropriated Reserves	4,616,603	5,512,847		
<b>TOTAL REVENUES &amp; APPROPRIATED FUND BALANCE</b>	<b>\$197,925,804</b>	<b>\$198,822,048</b>		

**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.

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
<b>EXPENDITURES</b>					
General Support					
Board of education	\$70,422	\$45,079	\$45,037		\$42
Central administration	530,540	500,824	500,824		-
Finance	1,998,173	1,893,055	1,857,021	\$34,968	1,066
Staff	928,310	866,063	864,010	1,368	685
Central services	17,704,487	17,740,142	17,258,279	119,197	362,666
Special items	1,318,781	1,357,975	1,357,974		1
Instructional					
Instruction, adm. & imp.	7,690,769	7,303,020	7,255,462		47,558
Teaching - regular school	51,006,186	51,870,019	51,774,520	1,233	94,266
Programs for children with handicapping conditions	32,622,762	32,731,374	32,406,606		324,768
Occupational education	2,178,265	1,886,764	1,885,539		1,225
Teaching special schools	1,435,000	1,690,314	1,674,459		15,855
Instructional media	2,764,642	2,562,279	2,508,599	29,430	24,250
Pupil services	8,293,097	8,099,444	8,046,440		53,004
Pupil transportation	10,819,798	10,382,600	10,380,320		2,280
Community services	5,000				-
Employee benefits	50,947,135	51,930,643	51,756,505		174,138
Debt service principal	4,414,982	4,414,982	4,414,981		1
Debt service - interest	1,992,455	1,996,872	1,996,870		2
<b>TOTAL EXPENDITURES</b>	<u>196,720,804</u>	<u>197,271,449</u>	<u>195,983,446</u>	<u>186,196</u>	<u>1,101,807</u>
Other Financing Uses					
Transfers to other funds	1,205,000	1,550,599	1,549,652		947
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<u>\$197,925,804</u>	<u>\$198,822,048</u>	<u>197,533,098</u>	<u>\$186,196</u>	<u>1,102,754</u>
Change in fund balances			(2,097,903)		
Fund balances - beginning of year			<u>36,215,923</u>		
Fund balances - end of year			<u>\$34,118,020</u>		

**Note to Required Supplementary Information**

Budget Basis of accounting

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

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
JUNE 30, 2016**

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
July 1, 2014	\$0	\$219,729,708	\$219,729,708	0%	\$63,738,479	345%
July 1, 2012	\$0	\$215,386,254	\$215,386,254	0%	\$67,373,393	320%
July 1, 2010	\$0	\$225,615,083	\$225,615,083	0%	\$71,768,268	314%

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/ASSET**  
**FOR THE FISCAL YEARS ENDED JUNE 30,\***

**NYSERS Pension Plan**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0824660%	0.0797316%	0.0797316%
District's proportionate share of the net pension liability	\$ 13,236,016	\$ 2,693,528	\$ 3,602,959
District's covered payroll	\$ 25,702,853	\$ 24,176,941	\$ 22,920,445
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	51.50%	11.14%	15.72%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%	97.20%

**NYTRS Pension Plan**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset	0.500747%	0.475596%	0.446103%
District's proportionate share of the net pension asset	\$ 52,011,658	\$ 52,978,484	\$ 2,936,488
District's covered payroll	\$ 75,523,165	\$ 70,952,614	\$ 65,955,700
District's proportionate share of the net pension asset as a percentage of its covered employee payroll	68.87%	74.67%	4.45%
Plan fiduciary net position as a percentage of the total pension asset	110.46%	111.48%	100.70%

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

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
FOR THE FISCAL YEARS ENDED JUNE 30,**

**NYSERS Pension Plan**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 4,629,915	\$ 4,690,236	\$ 4,776,707	\$ 4,864,099	\$ 3,044,612	\$ 2,554,979	\$ 1,948,150	\$ 1,590,761	\$ 1,686,946	\$ 1,785,577
Contributions in relation to the contractually required contribution	4,629,915	4,690,236	4,776,707	4,864,099	3,044,612	2,554,979	1,948,150	1,590,761	1,686,946	1,785,577
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 26,183,395	\$ 24,685,374	\$ 23,029,198	\$ 22,580,979	\$ 21,042,554	\$ 20,161,094	\$ 22,455,870	\$ 19,847,693	N/A	N/A
Contributions as a percentage of covered employee payroll	17.68%	19.00%	20.74%	21.54%	14.47%	12.67%	8.68%	8.01%		

**NYTRS Pension Plan**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 10,079,951	\$ 13,185,891	\$ 11,416,114	\$ 7,736,778	\$ 6,894,879	\$ 5,787,950	\$ 4,451,426	\$ 4,390,739	\$ 5,354,656	\$ 4,851,881
Contributions in relation to the contractually required contribution	10,079,951	13,185,891	11,416,114	7,736,778	6,894,879	5,787,950	4,451,426	4,390,739	5,354,656	4,851,881
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 76,559,914	\$ 75,523,165	\$ 70,952,614	\$ 65,955,700	\$ 62,236,599	\$ 66,595,541	\$ 72,144,444	\$ 57,591,912	\$ 61,337,113	\$ 56,416,288
Contributions as a percentage of covered employee payroll	13.17%	17.46%	16.09%	11.73%	11.08%	8.69%	6.17%	7.62%	8.73%	8.60%

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND THE REAL PROPERTY TAX LIMIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget		\$197,809,201
Add: Prior year's encumbrances		<u>116,603</u>
Original Budget		197,925,804
Budget revisions:		
Appropriated Reserves:		
Capital Reserve		<u>896,244</u>
Final Budget		<u><u>\$198,822,048</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2016-17 voter approved expenditure budget		<u><u>\$200,962,132</u></u>
Maximum allowed (4% of the 2016-2017 budget)		<u><u>\$8,038,485</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$3,286,196	
Unassigned fund balance	<u>7,999,097</u>	
Total unrestricted fund balance		\$11,285,293
Less:		
Appropriated fund balance	\$3,100,000	
Encumbrances included in assigned fund balance	<u>186,196</u>	
Total adjustments		<u><u>3,286,196</u></u>
General fund fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$7,999,097</u></u>
Actual percentage		3.98%

**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
JUNE 30, 2016**

Project Title	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2016	
			Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
Library bond proceeds	\$1,500,000	\$1,500,000	\$1,500,000		\$1,500,000	\$ -	\$1,500,000			\$1,500,000	\$ -
Non-aidable	511,467	511,467	408,890		408,890	102,577	511,467			511,467	102,577
Capital project	16,800,000	16,800,000	16,406,107		16,406,107	393,893	12,525,000	\$3,316,280	\$850,005	16,691,285	285,178
Capital project	24,890,000	24,890,000	4,305,766	\$9,699,545	14,005,311	10,884,689			5,202,024	5,202,024	(8,803,287) *
Energy performance contract	11,690,610	11,690,610	11,690,610		11,690,610	-	11,690,610			11,690,610	-
<b>TOTAL</b>	<u>\$55,392,077</u>	<u>\$55,392,077</u>	<u>\$34,311,373</u>	<u>\$9,699,545</u>	<u>\$44,010,918</u>	<u>\$11,381,159</u>	<u>\$26,227,077</u>	<u>\$3,316,280</u>	<u>\$6,052,029</u>	<u>\$35,595,386</u>	<u>(\$8,415,532) *</u>

\* The negative fund balance will be eliminated once permanent financing is obtained.



**CENTRAL ISLIP UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
NET INVESTMENT IN CAPITAL ASSETS  
JUNE 30, 2016**

<b>Capital assets, net</b>		\$90,556,566
<b>Add:</b>		
Unamortized deferred charge on refunding		456,209
<b>Deduct:</b>		
Short-term portion of bonds payable	\$3,820,000	
Long-term portion of bonds payable	29,505,000	
Less: unspent bond proceeds	<u>(387,755)</u>	32,937,245
Unamortized gain on defeasance/premium		3,142,164
Short-term portion of energy performance debt	\$752,451	
Long-term portion of energy performance debt	<u>8,410,258</u>	<u>9,162,709</u>
<b>Net investment in capital assets</b>		<u><u>\$45,770,657</u></u>

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

To the Board of Education  
Central Islip Union Free School District

We have audited, 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, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Central Islip Union Free School District, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Central Islip Union Free School District's basic financial statements, and have issued our report thereon dated November 1, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Central Islip 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 Central Islip Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Central Islip 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in cursive script that reads "R.S. Abrams & Co., LLP".

R.S. Abrams & Co., LLP  
Islandia, NY  
November 1, 2016