

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS**

June 30, 2017

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
June 30, 2017

---

**Table of Contents**

	<u><b>Page</b></u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis (MD&amp;A)</b>	4
<b>Basic Financial Statements:</b>	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Net Position – Fiduciary Fund	21
Notes to Financial Statements	22
<b>Required Supplementary Information other than MD&amp;A:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	45
Schedule of Funding Progress – Other Postemployment Benefits	47
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability	48
Schedule of District Pension Contributions	49
<b>Other Supplementary Information:</b>	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund	50
Net Investment in Capital Assets	51
<b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	52
Schedule of Findings and Responses	54

## INDEPENDENT AUDITORS' REPORT

The Board of Education  
Remsenburg-Speonk Union Free School District  
Remsenburg, New York:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary fund of Remsenburg-Speonk Union Free School District (the District), as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of Remsenburg-Speonk Union Free School District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the other required supplemental information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Supplementary Information

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

Such 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 16, 2017

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The Remsenburg-Speonk Union Free School District's (District) discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017 in comparison with the year ended June 30, 2016, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

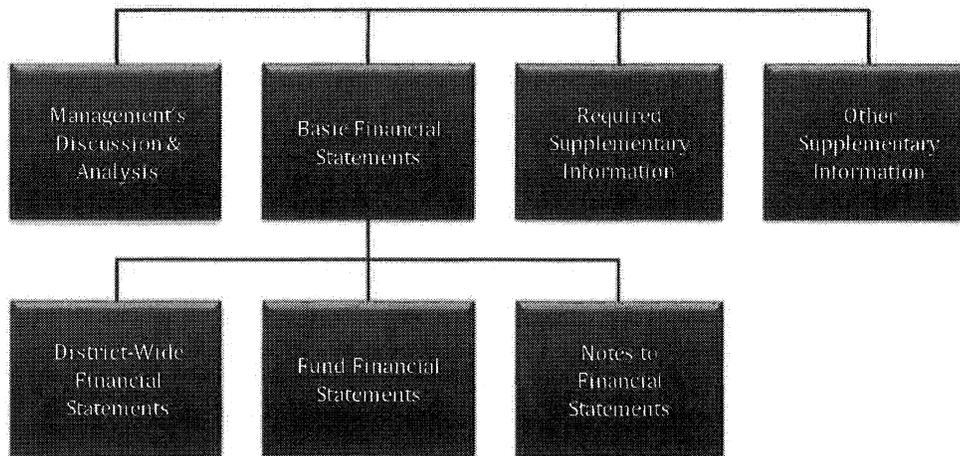
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2017 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$635,896 (19.21%).
- The general fund's total fund balance, as reflected in the fund financial statements, decreased by \$187,522 (6.52%) to \$2,689,900.
- On May 16, 2017, the voters of the District authorized the creation of a capital reserve for \$1,500,000 to be funded for a period of ten years. The purpose of the reserve is to fund future capital improvements. As of June 30, 2017, the District funded the reserve in the amount of \$130,472.
- The District's 2017 property tax levy of \$11,523,919 was a 1.22% increase from the 2016 tax levy. The District's property tax cap allowed for a 2.50% increase.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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



**A. District-Wide Financial Statements**

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

---

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

The Statement of Net Position

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

The Statement of Activities

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

**B. Fund Financial Statements**

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

Governmental Funds

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

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

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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

**Fiduciary Funds**

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

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

**A. Net Position**

The District's total net position decreased by \$635,896 between fiscal year 2017 and 2016. The decrease is due to expenses in excess of revenues based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Assets</b>				
Current and Other Assets	\$ 4,753,908	\$ 4,297,943	\$ 455,965	10.61 %
Capital Assets, Net	1,778,817	1,775,196	3,621	0.20 %
Net Pension Asset -				
Proportionate Share		2,171,723	(2,171,723)	(100.00)%
Total Assets	<u>6,532,725</u>	<u>8,244,862</u>	<u>(1,712,137)</u>	<u>(20.77)%</u>
<b>Deferred Outflows of Resources</b>	<u>2,297,254</u>	<u>744,532</u>	<u>1,552,722</u>	<u>208.55 %</u>
<b>Liabilities</b>				
Current and Other Liabilities	1,825,977	1,198,111	627,866	52.40 %
Long-Term Liabilities	281,946	255,254	26,692	10.46 %
Net OPEB Obligation	3,544,743	3,113,459	431,284	13.85 %
Net Pension Liability -				
Proportionate Share	388,926	312,440	76,486	24.48 %
Total Liabilities	<u>6,041,592</u>	<u>4,879,264</u>	<u>1,162,328</u>	<u>23.82 %</u>
<b>Deferred Inflows of Resources</b>	<u>113,300</u>	<u>799,147</u>	<u>(685,847)</u>	<u>(85.82)%</u>
<b>Net Position</b>				
Net Investment in Capital Assets	1,778,817	1,775,196	3,621	0.20 %
Restricted	1,096,445	963,005	133,440	13.86 %
Unrestricted (deficit)	<u>(200,175)</u>	<u>572,782</u>	<u>(772,957)</u>	<u>(134.95)%</u>
Total Net Position	<u>\$ 2,675,087</u>	<u>\$ 3,310,983</u>	<u>\$ (635,896)</u>	<u>(19.21)%</u>

Current and other assets increased by \$455,972, as compared to the prior year. The increase is primarily related to increases in cash and receivables.

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Capital assets, net increased by \$3,621, as compared to the prior year. This increase is due to capital asset additions in excess of depreciation. See accompanying Notes to Financial Statements, Note 9 "Capital Assets" for additional information.

Net pension asset – proportionate share decreased by \$2,171,723, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year. This decrease is primarily due to the effect of the change in the discount rate used and, as a result, the District's share of the pension plan shifted from an asset to a liability. The accompanying Notes to Financial Statements, Note 13 "Pension Plans-New York State", provides additional information.

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

Current and other liabilities increased by \$627,873, as compared to the prior year. This increase is the result of an increase in amounts due to other governments for tuition costs, offset by a decrease in accounts payable.

Long-term liabilities increased by \$26,692, as compared to the prior year. The increase is the result of increases in termination benefits payable and in workers' compensation liability.

Net other postemployment benefits (OPEB) obligation increased by \$431,284, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by \$76,486 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year. The increase is due to the shift of the pension asset to a liability for the TRS, and a decrease in the pension liability for the ERS.

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

The net investment in capital assets is the investment in capital assets at cost such as land; buildings and improvements; site improvements; and, furniture and equipment, net of depreciation and related outstanding debt. This number increased over the prior year as follows:

Capital asset additions	\$ 135,928
Depreciation expense	<u>(132,307)</u>
	<u>\$ 3,621</u>

The restricted amount of \$1,096,445 relates to the District's reserves. This number increased over the prior year by \$133,440, as a result of funding the newly created capital reserve in the amount of \$130,472 and \$2,968 in interest earned on the reserves.

The unrestricted deficit amount of \$(200,175) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

is not permitted to accumulate funds for the net OPEB obligation. This number decreased from the prior year by \$772,957.

**B. Changes in Net Position**

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

	2017	2016	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 192,233	\$ 129,533	\$ 62,700	48.40 %
Operating Grants	133,289	120,914	12,375	10.23 %
General Revenues				
Property Taxes and STAR	11,524,126	11,385,610	138,516	1.22 %
State Sources	454,134	457,334	(3,200)	(0.70)%
Other	138,242	190,352	(52,110)	(27.38)%
Total Revenues	<u>12,442,024</u>	<u>12,283,743</u>	<u>158,281</u>	1.29 %
<b>Expenses</b>				
General Support	1,501,178	1,351,712	149,466	11.06 %
Instruction	11,007,895	9,999,108	1,008,787	10.09 %
Pupil Transportation	480,625	398,067	82,558	20.74 %
Community Service	3,335	3,215	120	3.73 %
Debt Service - Interest	12,667	14,925	(2,258)	(15.13)%
Food Service Program	72,220	77,165	(4,945)	(6.41)%
Total Expenses	<u>13,077,920</u>	<u>11,844,192</u>	<u>1,233,728</u>	10.42 %
Increase / (Decrease) in Net Position	<u>\$ (635,896)</u>	<u>\$ 439,551</u>	<u>\$ (1,075,447)</u>	(244.67)%

The District's net position decreased by \$635,896 and increased by \$439,551 for the years ended June 30, 2017 and 2016, respectively.

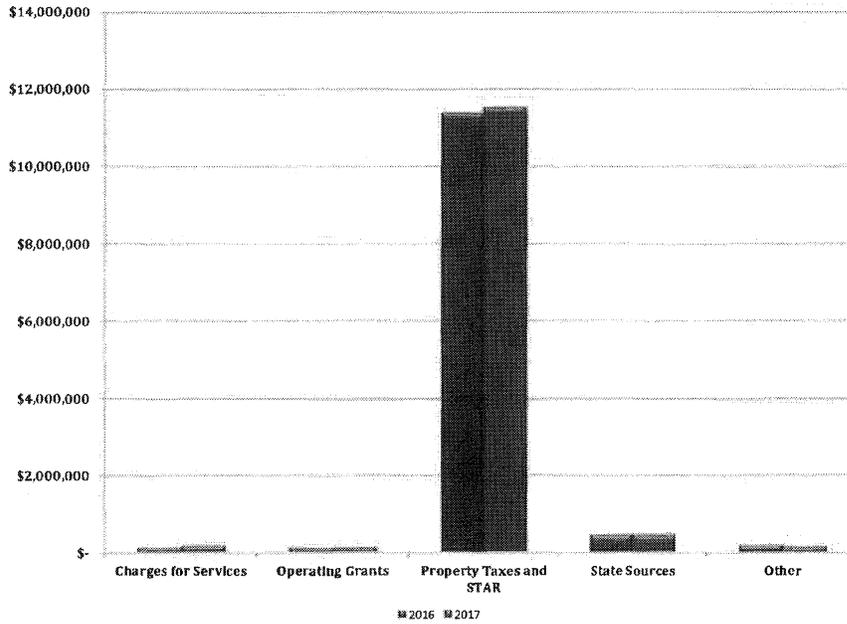
The District's revenues increased by \$158,281 or 1.29%. Most of this increase is attributable to increases in property taxes and STAR. The increase in property taxes was in accordance with the 2016-17 voter approved budget.

The District's expenses for the year increased by \$1,233,728 or 10.42%. The increase in expense is primarily due to increases in general support and instruction. A contributing factor for the increase in these areas is due to the impact of the net change in pension costs, as a result of a change in the TRS discount rate.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 92.6% and 92.7% of the totals for the years 2017 and 2016, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 84.1% and 84.4% of the totals for the years 2017 and 2016, respectively).

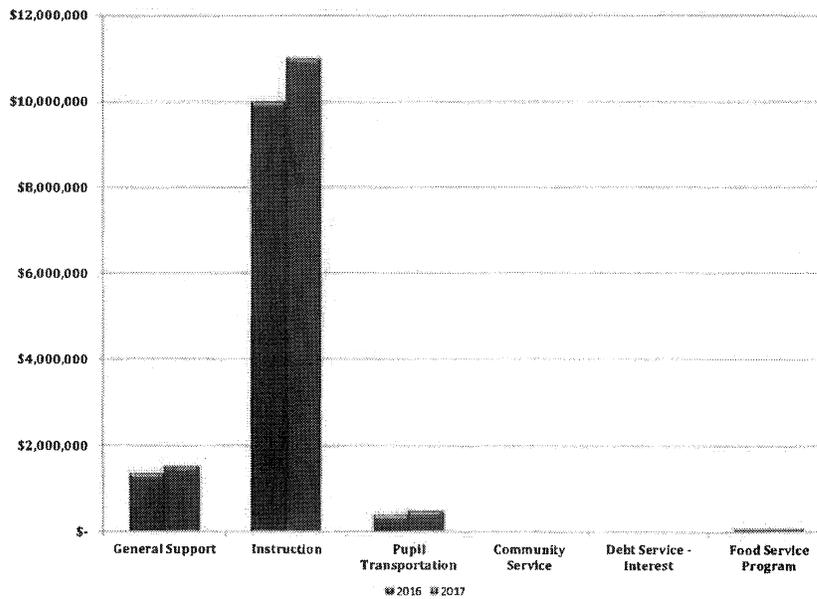
**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
<b>2016</b>	1.1%	1.0%	92.7%	3.7%	1.5%
<b>2017</b>	1.5%	1.1%	92.6%	3.7%	1.1%

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



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
<b>2016</b>	11.4%	84.4%	3.4%	0.0%	0.1%	0.7%
<b>2017</b>	11.5%	84.1%	3.7%	0.0%	0.1%	0.6%

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$2,699,181, which is a decrease of \$185,959 from the prior year. A summary of the change in fund balance by fund is as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<b>General Fund</b>			
Restricted:			
Workers' Compensation Reserve	\$ 254,440	\$ 253,463	\$ 977
Unemployment Insurance Reserve	20,962	20,865	97
Retirement Contribution Reserve	296,834	296,728	106
Capital Reserve	453,684	321,744	131,940
Repairs Reserve	70,525	70,205	320
Assigned:			
Appropriated fund balance	1,015,000	1,051,853	(36,853)
Unappropriated fund balance	37,400	36,630	770
Unassigned: Fund balance	<u>541,055</u>	<u>825,934</u>	<u>(284,879)</u>
	<u>2,689,900</u>	<u>2,877,422</u>	<u>(187,522)</u>
<b>School Food Service Fund</b>			
Nonspendable: Inventories	759	1,296	(537)
Assigned: Unappropriated fund balance	<u>8,523</u>	<u>6,422</u>	<u>2,101</u>
	<u>9,282</u>	<u>7,718</u>	<u>1,564</u>
 Total Fund Balance	 <u>\$ 2,699,182</u>	 <u>\$ 2,885,140</u>	 <u>\$ (185,958)</u>

**A. General Fund**

The net change in the general fund – fund balance is a decrease of \$187,522, as revenues of \$12,269,829 were in excess of expenditures and other uses of \$12,457,351, compared to an increase of \$379,409 for fiscal 2016.

Revenues increased by \$153,686 (1.27%) over fiscal 2016 totals, primarily due to an increase in property taxes. The increase in property taxes was in accordance with the 2016-17 voter approved budget.

Expenditures and other uses increased by \$720,617 (6.14%) over fiscal 2016 totals. This increase was primarily within programs for students with disabilities (\$643,301).

In May 2004, the voters of the District authorized the creation of a capital reserve for \$500,000 to be funded for a period of ten years. The funding term ended June 30, 2014. During the 2016-17 fiscal year, the reserve earned interest of \$1,468. The total amount paid into the reserve was \$500,000 and the reserve earned interest of \$37,292. The District has utilized \$214,080 to fund past capital projects (parking lot improvements). As of June 30, 2017, the reserve has \$323,212 available for future capital projects.

In May 2017, the voters of the District authorized the creation of a capital reserve for \$1,500,000 to be funded for a period of ten years. As of June 30, 2017, the reserve has \$130,472 available for future capital projects.

The combined capital reserve balances at June 30, 2017 were \$453,684.

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**B. School Food Service Fund**

The school food service fund-fund balance increased by \$1,564, aided by a \$15,000 transfer from the general fund.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2016-17 Budget**

The District's general fund voter-approved budget for the year ended June 30, 2017 was \$13,227,089. This amount was increased by encumbrances carried forward from the prior year in the amount of \$36,630 for a total final budget of \$13,263,719.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$11,523,919 in estimated property taxes and STAR.

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

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

Opening, Unassigned Fund Balance	\$ 825,934
Revenues Over Budget	94,593
Expenditures and Encumbrances Under Budget	768,968
Allocation to Reserves	(133,440)
Appropriated to Fund the June 30, 2018 Budget	<u>(1,015,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 541,055</u>

**Opening, Unassigned Fund Balance**

The \$825,934 shown in the table is the portion of the District's June 30, 2016 fund balance that was retained as unassigned fund balance.

**Revenues Over Budget**

The 2016-17 final budget for revenues was \$12,175,236. Actual revenues received for the year were \$12,269,829. The excess of actual revenue over estimated or budgeted revenue was \$94,593, which is primarily due to the District receiving unanticipated miscellaneous revenues and charges for services, offset by receiving less than anticipated in state aid.

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Expenditures and Encumbrances Under Budget

The 2016-17 final budget for expenditures and other uses was \$13,263,719. Actual expenditures and other uses as of June 30, 2017 were \$12,457,351 and outstanding encumbrances were \$37,400. Combined, the expenditures plus encumbrances for 2016-17 were \$12,494,751. The final budget was under expended by \$768,968. The under expenditure is principally within the instruction, and employee benefit codes within the budget.

Allocation to Reserves

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

The \$(133,440) shown in the above table is made up of a transfer of \$130,472 to the retirement contribution reserve and interest earnings of \$2,968.

Appropriated Fund Balance

The District has chosen to use \$1,015,000 of the available June 30, 2017 unassigned fund balance to partially fund the 2017-18 approved operating budget. As such, the June 30, 2017 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the unassigned fund balance at June 30, 2017 is \$541,055. This unassigned fund balance portion is equal to the permissible 4.0% statutory maximum per §1318 of the New York State Real Property Tax Law.

**6. CAPITAL ASSETS AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2017, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$135,928 recorded in excess of depreciation of \$132,307 for the year ended June 30, 2017. A summary of the District's capital assets, net of depreciation at June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)
Land	\$ 67,500	\$ 67,500	\$ -
Buildings and improvements	1,311,029	1,314,313	(3,284)
Site improvements	20,857	24,414	(3,557)
Furniture and equipment	379,431	368,969	10,462
Capital assets, net	<u>\$ 1,778,817</u>	<u>\$ 1,775,196</u>	<u>\$ 3,621</u>

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**B. Debt Administration**

The District had no outstanding bond indebtedness at June 30, 2017.

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

	2017	2016	Increase (Decrease)
Termination benefits payable	\$ 245,553	\$ 220,553	\$ 25,000
Workers' compensation liabilities	36,393	34,701	1,692
Net OPEB obligation	3,544,743	3,113,459	431,284
Net pension liability - proportionate share	388,926	312,440	76,486
	<u>\$ 4,215,615</u>	<u>\$ 3,681,153</u>	<u>\$ 534,462</u>

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 16, 2017, for the year ending June 30, 2018, is \$13,526,371. This is an increase of \$299,282 or 2.26% over the previous year's budget.

The District estimated its non-tax revenues for the June 30, 2018 year at a \$24,984 increase over the prior year's estimate. This increase is principally due to an increase in charges for services. The assigned, appropriated fund balance applied to the June 30, 2018 budget was decreased by \$36,853 to \$1,015,000. As a result, the District anticipates a property tax levy at an amount that is \$311,151 or 2.70% more than the prior year in order to meet the funding short fall and cover the increase in appropriations.

**B. Future Budgets**

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

**C. Tax Cap**

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2017-18 is 3.24%. The District's 2017-18 property tax increase of 2.70% was less than the tax cap and did not require an override vote.

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

---

**A. Property Tax Relief Credit**

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

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

**8. CONTACTING THE DISTRICT**

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

Dr. Ronald M. Masera  
Superintendent  
Remsenburg-Speonk Union Free School District  
Mill Road  
Box 900  
Remsenburg, NY 11960

**REMSENBURG-SPEONK UNION FREE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2017

**ASSETS**

Cash		
Unrestricted	\$	3,076,930
Restricted		1,096,445
Receivables		
Accounts receivable		100,036
Due from fiduciary funds		53,194
Due from state and federal		237,017
Due from other governments		57,613
Inventories		759
Other assets		131,914
Capital assets not being depreciated		67,500
Capital assets being depreciated, net of accumulated depreciation		<u>1,711,317</u>
 Total Assets		 <u>6,532,725</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions		<u>2,297,254</u>
----------	--	------------------

**LIABILITIES**

Payables		
Accounts payable		358,732
Accrued liabilities		30,265
Due to other governments		1,026,822
Due to teachers' retirement system		381,609
Due to employees' retirement system		27,002
Unearned credits		
Collections in advance		1,547
Long-term liabilities		
Due and payable after one year		
Termination benefits payable		245,553
Workers' compensation liabilities		36,393
Net other postemployment benefits obligation		3,544,743
Net pension liability - proportionate share		<u>388,926</u>
 Total Liabilities		 <u>6,041,592</u>

**DEFERRED INFLOWS OF RESOURCES**

Pensions		<u>113,300</u>
----------	--	----------------

**NET POSITION**

Net investment in capital assets		<u>1,778,817</u>
Restricted		
Workers' compensation		254,440
Unemployment insurance		20,962
Retirement contribution		296,834
Capital		453,684
Repairs		<u>70,525</u>
		<u>1,096,445</u>
Unrestricted (deficit)		<u>(200,175)</u>
 Total Net Position		 <u>\$ 2,675,087</u>

**REMSENBURG-SPEONK UNION FREE SCHOOL DISTRICT**

**Statement of Activities**

For The Year Ended June 30, 2017

	<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	\$ 1,501,178	\$	\$	\$ (1,501,178)
Instruction	11,007,895	153,327	115,790	(10,738,778)
Pupil transportation	480,625			(480,625)
Community service	3,335			(3,335)
Debt service - interest	12,667			(12,667)
Food service program	72,220	38,906	17,499	(15,815)
	<u>\$ 13,077,920</u>	<u>\$ 192,233</u>	<u>\$ 133,289</u>	<u>(12,752,398)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				11,372,787
Other tax items				184,095
Use of money and property				6,449
Miscellaneous				99,037
State sources				<u>454,134</u>
Total General Revenues				<u>12,116,502</u>
Change in Net Position				(635,896)
Total Net Position - Beginning of year				<u>3,310,983</u>
Total Net Position - End of year				<u>\$ 2,675,087</u>

**REMSENBURG-SPEONK UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2017

	General	Special Aid	School Food Service	Total Governmental Funds
<b>ASSETS</b>				
Cash				
Unrestricted	\$ 3,076,406	\$ 232	\$ 292	\$ 3,076,930
Restricted	1,096,445			1,096,445
Receivables				
Accounts receivable	100,000		36	100,036
Due from other funds	169,844		10,118	179,962
Due from state and federal	117,832	118,092	1,093	237,017
Due from other governments	57,613			57,613
Inventories			759	759
<b>Total Assets</b>	<b>\$ 4,618,140</b>	<b>\$ 118,324</b>	<b>\$ 12,298</b>	<b>\$ 4,748,762</b>
<b>LIABILITIES</b>				
Payables				
Accounts payable	\$ 357,143	\$ 1,557	\$ 32	\$ 358,732
Accrued liabilities	30,265			30,265
Due to other funds	10,118	116,650		126,768
Due to other governments	1,026,624		198	1,026,822
Due to teachers' retirement system	381,609			381,609
Due to employees' retirement system	25,646		1,356	27,002
Unearned credits				
Collections in advance		117	1,430	1,547
<b>Total Liabilities</b>	<b>1,831,405</b>	<b>118,324</b>	<b>3,016</b>	<b>1,952,745</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	96,835			96,835
<b>FUND BALANCES</b>				
Nonspendable: Inventories			759	759
Restricted:				
Workers' compensation	254,440			254,440
Unemployment insurance	20,962			20,962
Retirement contribution	296,834			296,834
Capital	453,684			453,684
Repairs	70,525			70,525
Assigned:				
Appropriated fund balance	1,015,000			1,015,000
Unappropriated fund balance	37,400		8,523	45,923
Unassigned: Fund balance	541,055			541,055
<b>Total Fund Balances</b>	<b>2,689,900</b>	<b>-</b>	<b>9,282</b>	<b>2,699,182</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,618,140</b>	<b>\$ 118,324</b>	<b>\$ 12,298</b>	<b>\$ 4,748,762</b>

**REMSENBURG-SPEONK UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2017

Total Governmental Fund Balances \$ 2,699,182

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

Cash held by third-party administrator is treated as a long-term asset and included in Net Position. 131,914

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

Original cost of capital assets	\$ 4,332,316	
Accumulated depreciation	<u>(2,553,499)</u>	1,778,817

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

Deferred outflows of resources	2,297,254	
Net pension liability - teachers' retirement system	(216,041)	
Net pension liability - employees' retirement system	(172,885)	
Deferred inflows of resources	<u>(113,300)</u>	1,795,028

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position. 96,835

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Termination benefits payable	(245,553)	
Workers' compensation liabilities	(36,393)	
Net other postemployment benefits obligation	<u>(3,544,743)</u>	<u>(3,826,689)</u>

Total Net Position \$ 2,675,087

**REMSENBURG-SPEONK UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2017

	General	Special Aid	School Food Service	Total Governmental Funds
<b>REVENUES</b>				
Real property taxes	\$ 11,372,787	\$	\$	\$ 11,372,787
Other tax items	184,095			184,095
Charges for services	153,327			153,327
Use of money and property	6,449			6,449
Miscellaneous	99,037			99,037
State sources	454,134	58,372	718	513,224
Federal sources		57,418	16,781	74,199
Sales			38,906	38,906
<b>Total Revenues</b>	<b>12,269,829</b>	<b>115,790</b>	<b>56,405</b>	<b>12,442,024</b>
<b>EXPENDITURES</b>				
General support	1,222,076			1,222,076
Instruction	8,937,914	101,098		9,039,012
Pupil transportation	460,217	20,408		480,625
Community service	2,456			2,456
Employee benefits	1,801,305		7,230	1,808,535
Debt service - interest	12,667			12,667
Food service program			62,611	62,611
<b>Total Expenditures</b>	<b>12,436,635</b>	<b>121,506</b>	<b>69,841</b>	<b>12,627,982</b>
Deficiency of Revenues Over Expenditures	(166,806)	(5,716)	(13,436)	(185,958)
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Operating transfers in		5,716	15,000	20,716
Operating transfers (out)	(20,716)			(20,716)
<b>Total Other Financing Sources and (Uses)</b>	<b>(20,716)</b>	<b>5,716</b>	<b>15,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(187,522)</b>	<b>-</b>	<b>1,564</b>	<b>(185,958)</b>
Fund Balances - Beginning of year	2,877,422		7,718	2,885,140
Fund Balances - End of year	\$ 2,689,900	\$ -	\$ 9,282	\$ 2,699,182

**REMSENBURG-SPEONK UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For The Year Ended June 30, 2017

Net Change in Fund Balances \$ (185,958)

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

Long-Term Revenue and Expense Differences

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) are being held by a third-party administrator. This is the amount by which other assets - cash held by third-party administrator increased in the period.

\$ 14,057

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

Increase in termination benefits payable

(25,000)

Increase in workers' compensation liabilities

(1,692)

Increase in net other postemployment benefits obligation

(431,284)

(443,919)

Capital Related Differences

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

Capital outlays

135,928

Depreciation expense

(132,307)

3,621

Pension Differences

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

Teachers' retirement system

4,853

Employees' retirement system

(14,493)

(9,640)

Change in Net Position of Governmental Activities

\$ (635,896)

**REMSENBURG-SPEONK UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
June 30, 2017

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	\$ 19,353
Due from state and federal	<u>39,371</u>
 Total Assets	 <u>\$ 58,724</u>
 <b>LIABILITIES</b>	
Due to governmental funds	\$ 53,194
Other liabilities	<u>5,530</u>
 Total Liabilities	 <u>\$ 58,724</u>

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

**B. Joint Venture**

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**C. Basis of Presentation**

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**D. Measurement Focus and Basis of Accounting**

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

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

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

**E. Real Property Taxes**

Calendar

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

Enforcement

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

**F. Restricted Resources**

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

**G. Interfund Transactions**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

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

**H. Use of Estimates**

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

**I. Cash and Cash Equivalents**

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

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

**J. Receivables**

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

**K. Inventories**

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

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

**L. Other Assets**

Other assets represent amounts on deposit that are being held by a third-party administrator for workers' compensation claims.

**M. Capital Assets**

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

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

	Capitalization Threshold	Estimated Useful Life
Buildings and other improvements	\$ 500	50 years
Site improvements	500	20 years
Furniture and equipment	500	5-20 years

**N. Deferred Outflows of Resources**

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

**O. Collections in Advance**

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

**P. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations. In subsequent periods, when the

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

availability criterion is met, unavailable revenues are reclassified as revenues. In the district-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense.

**Q. Termination Benefits**

Termination benefits consist of longevity and increments delayed during the 2013-14 school year as specified in collective bargaining agreements. Upon retirement, employees may contractually receive a payment based on this longevity. The liability is calculated in accordance with GASB Statement No. 47 *Accounting for Termination Benefits*. In the fund financial statements only the amount of matured liabilities is accrued within the general fund.

**R. Other Benefits**

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

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

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

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

**S. Short-Term Debt**

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

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

---

**T. Equity Classifications**

District-Wide Statements

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

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

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

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

Fund Statements

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

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

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

*Workers' Compensation Reserve*

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

*Unemployment Insurance Reserve*

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.

*Retirement Contribution Reserve*

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

*Capital Reserve*

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

*Repairs Reserve*

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

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

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

Fund Balance Classification

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the 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 assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

Long-Term Debt Transaction Differences

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

Pension Differences

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

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

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

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with GAAP.

**B. Encumbrances**

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

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

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

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

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

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

**Investment pool:**

The District participates in the Cooperative Liquid Assets Securities System – New York (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, 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. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

Total investment of the cooperative at June 30, 2017 are \$670,541,676, which consisted of \$166,914,400 in repurchase agreements, \$322,759,602 in U.S. Treasury Securities, and \$180,867,674 in collateralized bank deposits, with various interest rates and due dates.

The amount of \$669,269 on deposit with NYCLASS is included as cash in the general fund.

The above amounts represent the fair value of the investment pool shares. The Lead Participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at [www.newyorkclass.org](http://www.newyorkclass.org).

**5. PARTICIPATION IN BOCES**

During the year ended June 30, 2017, the District was billed \$372,335 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$47,496. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**6. DUE FROM STATE AND FEDERAL**

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

General Fund	
New York State - excess cost aid	\$ 40,498
New York State - transportation aid	77,334
	117,832
Special Aid Fund	
State and federal grants	118,092
School Food Service Fund	
State and federal food service program reimbursements	1,093
	1,093
	\$ 237,017

**7. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2017 consisted of BOCES aid in the amount of \$47,496 and tuition from other districts in the amount of \$10,117.

**8. INTERFUND TRANSACTIONS**

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

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General fund	\$ 169,844	\$ 10,118	\$	\$ 20,716
Special aid fund		116,650	5,716	
School food service fund	10,118		15,000	
	179,962	126,768	\$ 20,716	\$ 20,716
Fiduciary fund		53,194		
Total	\$ 179,962	\$ 179,962		

The District typically transfers from the general fund to the special aid fund and the school food service fund in accordance with the general fund budget. The transfer to the special aid fund from the general fund is to provide the District's 20% share of the summer program for students with disabilities. The transfer to the school food service fund from the general fund was to provide support for the program per the approved budget.

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**9. CAPITAL ASSETS**

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

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2017</u>
Governmental activities				
Capital assets that are not depreciated				
Land	\$ 67,500	\$	\$	\$ 67,500
Total capital assets not being depreciated	<u>67,500</u>	<u>-</u>	<u>-</u>	<u>67,500</u>
Capital assets that are depreciated				
Buildings and other improvements	3,190,946	61,016		3,251,962
Site improvements	71,142			71,142
Furniture and equipment	889,540	74,912	(22,740)	941,712
Total depreciable historical cost	<u>4,151,628</u>	<u>135,928</u>	<u>(22,740)</u>	<u>4,264,816</u>
Less accumulated depreciation for:				
Buildings and other improvements	1,876,633	64,300		1,940,933
Site improvements	46,728	3,557		50,285
Furniture and equipment	520,571	64,450	(22,740)	562,281
Total accumulated depreciation	<u>2,443,932</u>	<u>132,307</u>	<u>(22,740)</u>	<u>2,553,499</u>
Total capital assets being depreciated, net	<u>1,707,696</u>	<u>3,621</u>	<u>-</u>	<u>1,711,317</u>
Capital assets, net	<u>\$ 1,775,196</u>	<u>\$ 3,621</u>	<u>\$ -</u>	<u>\$ 1,778,817</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 15,654
Instruction	114,274
Food service program	<u>2,379</u>
Total depreciation expense	<u>\$ 132,307</u>

**10. UNAVAILABLE REVENUE**

Unavailable revenues at June 30, 2017 consisted of receivables from New York State related to prior years' aid adjustments as follows:

General Fund	
2003-04 Excess cost aid	\$ 19,500
2006-07, 2007-08 & 2008-09 transportation aid	<u>77,335</u>
	<u>\$ 96,835</u>

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**11. SHORT-TERM DEBT**

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

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance June 30, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2017</u>
TAN	6/27/2017	2.00%	\$ -	\$ 1,000,000	\$ (1,000,000)	\$ -

Interest on short-term debt for the year was \$12,667. The District received a premium of \$40, which was included in miscellaneous revenue in the general fund. The effective interest rate was 1.9937%.

**12. LONG-TERM LIABILITIES**

**A. Changes**

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

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Other long-term liabilities:					
Termination benefits payable	\$ 220,553	\$ 25,000	\$ -	\$ 245,553	\$ -
Workers' compensation	34,701	25,033	(23,341)	36,393	-
Total long-term liabilities	\$ 255,254	\$ 50,033	\$ (23,341)	\$ 281,946	\$ -

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

**13. PENSION PLANS - NEW YORK STATE**

**A. General Information**

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**B. Provisions and Administration**

Teachers' Retirement System

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

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at the NYS Comptroller's website [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 Employees' Retirement System, 110 State Street, Albany, NY 12244.

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to the ERS or 3.5% of their salary to the TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30<sup>th</sup>, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current. The District's contribution rate was 13.26% of covered payroll for the TRS' fiscal year ended June 30, 2016. The District's average contribution rate was 15.53% of covered payroll for the ERS' fiscal year ended March 31, 2017.

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2017, was \$368,177 for TRS and \$95,761 for ERS.

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

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2016	March 31, 2017
District's proportionate share of the net pension liability	\$ (216,041)	\$ (172,885)
District's portion of the Plan's total net pension liability	0.0201710%	0.0018399%
Change in proportion since the prior measurement date	(0.0007370)	(0.0001067)

For the year ended June 30, 2017, the District recognized pension expense of \$363,329 for TRS and \$110,254 for ERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$	\$ 4,332	\$ 70,182	\$ 26,254
Changes of assumptions	1,230,705	59,064		
Net difference between projected and actual earnings on pension plan investment	485,773	34,532		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	48,137	39,532	12,223	4,641
District's contributions subsequent to the measurement date	368,177	27,002		
<b>Total</b>	<u>\$ 2,132,792</u>	<u>\$ 164,462</u>	<u>\$ 82,405</u>	<u>\$ 30,895</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	TRS	ERS
2018	\$ 156,317	\$ 43,944
2019	156,317	43,944
2020	533,581	38,097
2021	416,203	(19,420)
2022	194,161	
Thereafter	225,631	
	<u>\$ 1,682,210</u>	<u>\$ 106,565</u>

Actuarial Assumptions

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

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

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

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

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

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

Real rates of return are net of a long-term inflation assumption of 2.1% for TRS and 2.5% for ERS.

**Discount Rate**

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

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

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

TRS	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
District's proportionate share of the net pension asset (liability)	<u>\$ (2,818,741)</u>	<u>\$ (216,041)</u>	<u>\$ 1,966,968</u>
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	<u>\$ (552,159)</u>	<u>\$ (172,885)</u>	<u>\$ 147,791</u>

**Pension Plan Fiduciary Net Position**

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

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

**Payables to the Pension Plan**

For the TRS, employer and employee contributions for the fiscal year ended June 30, 2017, are paid to the system in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017, represent employer and employee contributions for the fiscal year ended June 30, 2017, based on paid TRS covered wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS system. Accrued retirement contributions as of June 30, 2017 amounted to \$368,177 of employer contributions and \$13,432 of employee contributions.

For the 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, 2017, represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$27,002 of employer contributions. Employee contributions are remitted monthly.

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**14. PENSION PLANS - OTHER**

**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 based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2017, totaled \$5,000 and \$168,263, respectively.

**15. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. Plan Description**

The District provides medical, Medicare part B reimbursement, and dental and vision coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through United Health Care. The plan does not issue a stand-alone financial report.

**B. Funding Policy**

The District assumes 95% for individuals and 60% for family premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2017, the District recognized a general fund expenditure of \$277,110 for insurance premiums for 16 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

**C. Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution (ARC)	\$ 800,605
Interest on net OPEB obligation	124,538
Adjustment to ARC	<u>(216,749)</u>
Annual OPEB cost (expense)	708,394
Contributions made	<u>(277,110)</u>
Increase in net OPEB obligation	431,284
Net OPEB obligation - beginning of year	<u>3,113,459</u>
Net OPEB obligation - end of year	<u><u>\$ 3,544,743</u></u>

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 708,394	39.1%	\$ 3,544,743
June 30, 2016	728,838	30.7%	3,113,459
June 30, 2015	747,243	29.8%	2,608,451

**D. Funded Status and Funding Progress**

As of June 30, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$7,546,947 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,546,947. The covered payroll (annual payroll of active employees covered by the plan) was \$3,483,727, and the ratio of the UAAL to the covered payroll was 216.6%.

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

**E. Actuarial Methods and Assumptions**

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

In the June 30, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after 6 years and a 4% inflation rate. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

**16. RISK MANAGEMENT**

**A. General Information**

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

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**B. Public Entity Risk Pool – Risk Retained**

The District participates in a risk sharing pool, the East End Workers’ Compensation Consortium (EEWCC), to insure workers’ compensation claims. This public entity risk pool was created under Article 5 of Workers’ Compensation Law, to evaluate, process, administer, and pay workers’ compensation claims. The District retains the risk of loss.

The District pays an annual assessment to the pool for its workers’ compensation claims coverage and related expenses. The EEWCC has obtained an excess compensation insurance policy to buffer the effect that a single large claim may have on the District’s loss experience. The EEWCC established a non-discounted liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported.

The District’s liability for incurred but unpaid claims and incurred but not reported claims at June 30, 2017, as processed by the EEWCC, is \$36,393. Claims activity is summarized as follows:

	2016	2017
Claims at beginning of year	\$ 32,564	\$ 34,701
Incurred claims and claim adjustment expenses	30,501	25,033
Claims payments and expenses	(28,364)	(23,341)
Claims liabilities at end of year	\$ 34,701	\$ 36,393

The EEWCC is holding \$131,914 of cash on account for the District to satisfy these liabilities at June 30, 2017. In addition, the District has reserved \$254,440 in the general fund for potential supplemental assessments due to catastrophic losses and future claims.

The EEWCC has issued financial statements for the year ended June 30, 2017. Copies of these statements can be obtained from the District’s administrative office.

**C. Public Entity Risk Pool – Risk Sharing**

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

**D. Health Benefit Program**

The District participates in a health benefit program for its employees through the East End Health Plan, a consortium of school districts from the east end of Long Island. The benefit program’s administrator is responsible for the approval, processing and payment of claims. This is billed to the District at an established rate based on the number of participants. The District is responsible for contributions to cover

**REMSENBURG - SPEONK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

their share of the benefits and administrative costs. The plan reports on a June 30<sup>th</sup> year end. In the event the plan experiences a shortfall, a special assessment against participating districts may be imposed. The plan reported a net deficit as of June 30, 2017. Management of the plan has indicated that they have a multi-year deficit reduction plan in place. The District has not been notified of any additional or supplemental assessments as of the date of this financial statement.

**17. ASSIGNED APPROPRIATED FUND BALANCE**

The amount of \$1,015,000 has been appropriated to reduce taxes for the year ending June 30, 2018.

**18. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2017, the District encumbered the following amounts, classified as assigned unappropriated fund balance:

General Fund	
General Support	<u>\$ 37,400</u>

**B. Grants**

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

**C. Litigation**

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

**D. Operating Leases**

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$2,151. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	<u>\$ 1,076</u>

**19. SUBSEQUENT EVENTS**

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

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

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 11,361,088	\$ 11,372,580	\$ 11,372,787	\$ 207
Other tax items	162,831	151,339	184,095	32,756
Charges for services	81,201	81,201	153,327	72,126
Use of money and property	3,300	3,300	6,449	3,149
Miscellaneous			99,037	99,037
<b>Total Local Sources</b>	<b>11,608,420</b>	<b>11,608,420</b>	<b>11,815,695</b>	<b>207,275</b>
State Sources	566,816	566,816	454,134	(112,682)
<b>Total Revenues</b>	<b>12,175,236</b>	<b>12,175,236</b>	<b>12,269,829</b>	<b>\$ 94,593</b>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	1,051,853	1,051,853		
Prior Year's Encumbrances	36,630	36,630		
<b>Total Appropriated Fund Balance</b>	<b>1,088,483</b>	<b>1,088,483</b>		
<b>Total Revenues and Appropriated Fund Balance</b>	<b>\$ 13,263,719</b>	<b>\$ 13,263,719</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.

**REMSENBURG-SPEONK UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund (Continued)**  
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 18,255	\$ 18,013	\$ 15,616	\$	\$ 2,397
Central administration	275,047	276,696	276,653	43	43
Finance	265,643	248,143	195,486	37,400	15,257
Staff	88,933	171,994	156,204		15,790
Central services	489,892	506,347	486,130		20,217
Special items	97,626	94,159	91,987		2,172
Total General Support	<u>1,235,396</u>	<u>1,315,352</u>	<u>1,222,076</u>	<u>37,400</u>	<u>55,876</u>
Instruction					
Administration & improvement	190,793	193,290	179,387		13,903
Teaching - regular school	4,740,353	4,779,485	4,583,077		196,408
Programs for students with disabilities	3,965,353	3,739,497	3,588,688		150,809
Occupational education	102,712	102,712	27,063		75,649
Teaching - special schools	7,298	7,298			7,298
Instructional media	443,111	441,685	424,827		16,858
Pupil services	143,913	142,413	134,872		7,541
Total Instruction	<u>9,593,533</u>	<u>9,406,380</u>	<u>8,937,914</u>		<u>468,466</u>
Pupil Transportation	<u>353,020</u>	<u>460,217</u>	<u>460,217</u>		<u>-</u>
Community Services	<u>2,477</u>	<u>2,477</u>	<u>2,456</u>		<u>21</u>
Employee Benefits	<u>2,034,415</u>	<u>2,034,415</u>	<u>1,801,305</u>		<u>233,110</u>
Debt Service					
Interest	<u>15,000</u>	<u>15,000</u>	<u>12,667</u>		<u>2,333</u>
Total Debt Service	<u>15,000</u>	<u>15,000</u>	<u>12,667</u>		<u>2,333</u>
Total Expenditures	<u>13,233,841</u>	<u>13,233,841</u>	<u>12,436,635</u>	<u>37,400</u>	<u>759,806</u>
<b>OTHER USES</b>					
Operating Transfers Out	<u>29,878</u>	<u>29,878</u>	<u>20,716</u>		<u>9,162</u>
Total Expenditures and Other Uses	<u>\$ 13,263,719</u>	<u>\$ 13,263,719</u>	<u>12,457,351</u>	<u>\$ 37,400</u>	<u>\$ 768,968</u>
Net Change in Fund Balance			(187,522)		
Fund Balance - Beginning of Year			<u>2,877,422</u>		
Fund Balance - End of Year			<u>\$ 2,689,900</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.

**REMSENBURG-SPEONK UNION FREE SCHOOL DISTRICT**  
**Schedule of Funding Progress - Other Postemployment Benefits**  
 June 30, 2017

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2015	\$ -	\$ 7,546,947	\$ 7,546,947	0%	\$ 3,483,727	216.6%
December 31, 2012	-	6,166,491	6,166,491	0%	3,810,620	161.8%
December 31, 2010	-	7,342,661	7,342,661	0%	3,956,038	185.6%

**REMSENBURG-SPEONK UNION FREE SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/Liability**  
 Last Three Fiscal Years

***Teachers' Retirement System***

	2017	2016	2015
District's proportion of the net pension asset (liability)	0.0201710%	0.0209080%	0.0204640%
District's proportionate share of the net pension asset (liability)	\$ (216,041)	\$ 2,171,723	\$ 2,279,587
District's covered payroll	\$ 3,239,597	\$ 3,266,591	\$ 3,119,184
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	6.67 %	66.48 %	73.08 %
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%

***Employees' Retirement System***

	2017	2016	2015
District's proportion of the net pension liability	0.0018399%	0.0019466%	0.0020191%
District's proportionate share of the net pension liability	\$ (172,885)	\$ (312,440)	\$ (68,211)
District's covered payroll	\$ 618,151	\$ 595,206	\$ 616,060
District's proportionate share of the net pension liability as a percentage of its covered payroll	27.97 %	52.49 %	11.07 %
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.95%

**Note to Required supplementary Information**

**Teachers' Retirement System**

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

**Employees' Retirement System**

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

**REMSENBURG-SPEONK UNION FREE SCHOOL DISTRICT**  
**Schedule of District Pension Contributions**  
 Last Ten Fiscal Years

*Teachers' Retirement System*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 368,177	\$ 412,731	\$ 550,337	\$ 491,959	\$ 372,962	\$ 379,597	\$ 288,340	\$ 209,797	\$ 227,266	\$ 263,640
Contributions in relation to the contractually required contribution	368,177	412,731	550,337	491,959	372,962	379,597	288,340	209,797	227,266	263,640
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,141,442	\$ 3,239,597	\$ 3,266,591	\$ 3,119,184	\$ 3,211,490	\$ 3,456,175	\$ 3,424,408	\$ 3,471,279	\$ 3,287,262	~ Not Available ~
Contributions as a percentage of covered payroll	12%	13%	17%	16%	12%	11%	8%	6%	7%	

*Employees' Retirement System*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 95,761	\$ 98,928	\$ 113,193	\$ 118,564	\$ 85,161	\$ 87,374	\$ 66,356	\$ 43,597	\$ 41,559	\$ 41,680
Contributions in relation to the contractually required contribution	95,761	98,928	113,193	118,564	85,161	87,374	66,356	43,597	41,559	41,680
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 623,516	\$ 596,043	\$ 616,190	\$ 602,546	\$ 576,770	\$ 571,342	\$ 591,876	\$ 593,125	\$ 568,452	~ Not Available ~
Contributions as a percentage of covered payroll	15%	17%	18%	20%	15%	15%	11%	7%	7%	

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 13,227,089
Additions:		
Prior year's encumbrances		<u>36,630</u>
Original Budget		13,263,719
Budget Revisions		<u>-</u>
Final Budget		<u><u>\$ 13,263,719</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget		<u><u>\$ 13,526,371</u></u>
Maximum allowed (4% of 2017-18 budget)		<u><u>\$ 541,055</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 1,052,400	
Unassigned fund balance	<u>541,055</u>	
		\$ 1,593,455
Less:		
Appropriated fund balance	1,015,000	
Encumbrances	<u>37,400</u>	
Total adjustments		<u>1,052,400</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 541,055</u></u>
Actual Percentage		4.00%

**REMSENBURG-SPEONK UNION FREE SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
June 30, 2017

Capital assets, net	<u>\$ 1,778,817</u>
Net investment in capital assets	<u><u>\$ 1,778,817</u></u>

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

The Board of Education  
Remsenburg-Speonk Union Free School District  
Remsenburg, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of Remsenburg-Speonk Union Free School District (the District), as of and for the year ended June 30, 2017, and the related notes to the basic financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 16, 2017.

Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 16, 2017

REMSENBURG-SPEONK UNION FREE SCHOOL DISTRICT  
Schedule of Findings and Responses

Current Year Findings

There were no findings reported for the fiscal year ended June 30, 2017.

Prior Year Findings

Reference: 2016-1

Requirement

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 of the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts assigned for the subsequent year and encumbrances are also excluded from the 4% limitation.

Finding

The District's unexpended surplus fund balance at June 30, 2016 after exclusions was in excess of the New York State Real Property Tax Law §1318 limit. For the fiscal year ended June 30, 2016, the District's unexpended surplus fund balance was \$825,934, which was 6.24% of the 2016-17 voter approved General Fund budget.

Status - Resolved

The District unexpended surplus fund balance for the fiscal year ended June 30, 2017 was \$541,055, which is 4% of the 2017-18 voter approved general fund budget.