

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

BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Brookhaven-Comsewogue Union Free School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 16 and 59 through 63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2016, on our consideration of the Brookhaven-Comsewogue Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Brookhaven-Comsewogue Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 6, 2016

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

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

1. FINANCIAL HIGHLIGHTS

- The District completed the third successful year of reconfigured elementary schools. The plan continues to reduce expenditures while enhancing educational priorities. The reconfiguration has allowed the District to continue the educational programs, without reducing services, while maintaining the fund balances allowed by New York State law while being sensitive to tax burden to the community.
- On May 17, 2016, the District's residents authorized the proposed 2016-2017 budget in the amount of \$87,237,217.
- The District was able to appropriate \$3,000,000 of fund balance to lower the real estate tax levy for the 2016-2017 year as planned during the budget cycle. The District's tax levy is beneath the New York state tax cap legislation.
- In June 2016, the District settled contracts with the Port Jefferson Station Teachers Association for four years ending June 30, 2020 and The Port Jefferson Administrators Association for a three year period ending June 30, 2019. Both contracts are for step only increases and have one standard salary schedule. The contracts will have a favorable impact on the financial future.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

- *Fiduciary Funds Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

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

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

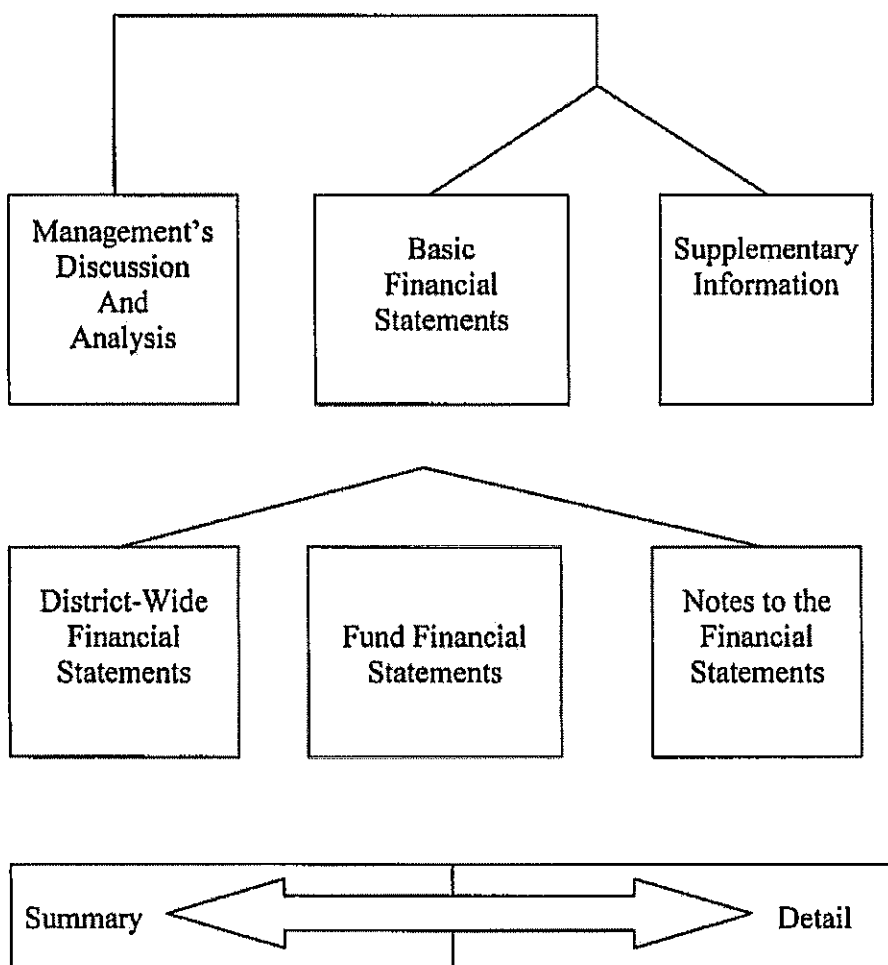


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and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

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

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

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

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

A) District-Wide Statements:

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

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

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

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

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

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

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

B) Fund Financial Statements:

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

The District has two kinds of funds:

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

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position:

The District's net position was higher on June 30, 2016 than the prior year by \$5,956,348 as detailed in Table A-3.

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

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Total Percentage Change
Current assets and other assets	\$ 35,088,517	\$ 34,781,898	\$ 306,619	0.88%
Capital assets, net	23,226,294	24,760,838	(1,534,544)	(6.20%)
Net pension asset, proportionate share	24,468,016	25,802,134	(1,334,118)	(5.17%)
Total Assets	<u>82,782,827</u>	<u>85,344,870</u>	<u>(2,562,043)</u>	<u>(3.00%)</u>
Deferred outflows of resources	<u>8,535,050</u>	<u>6,695,705</u>	<u>1,839,345</u>	<u>27.47%</u>
Total assets and deferred outflows of resources	<u>\$ 91,317,877</u>	<u>\$ 92,040,575</u>	<u>\$ (722,698)</u>	<u>(0.79%)</u>
Other liabilities	\$ 9,085,677	\$ 10,675,650	\$ (1,589,973)	(14.89%)
Long-term liabilities	43,416,730	42,800,559	616,171	1.44%
Net pension liability, proportionate share	3,874,868	811,545	3,063,323	377.47%
Total Liabilities	<u>56,377,275</u>	<u>54,287,754</u>	<u>2,089,521</u>	<u>3.85%</u>
Deferred inflows of resources	<u>9,455,951</u>	<u>18,224,518</u>	<u>(8,768,567)</u>	<u>(48.11%)</u>
Total liabilities and deferred inflows of resources	<u>65,833,226</u>	<u>72,512,272</u>	<u>(6,679,046)</u>	<u>(9.21%)</u>
Net Position				
Net investment in capital assets	4,975,146	4,842,296	132,850	2.74%
Restricted	17,972,120	16,196,248	1,775,872	10.96%
Unrestricted (deficit)	2,537,385	(1,510,241)	4,047,626	268.01%
Total Net Position	<u>25,484,651</u>	<u>19,528,303</u>	<u>5,956,348</u>	<u>30.50%</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 91,317,877</u>	<u>\$ 92,040,575</u>	<u>\$ (722,698)</u>	<u>(0.79%)</u>

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

Current assets and other assets increased \$306,619, from the prior year primarily due to an increase in state and federal aid receivable offset by a decrease in cash. Capital assets (net of depreciation) decreased by \$1,534,544. This was primarily attributable to current year depreciation expense offset by current year additions. Net pension asset, proportionate share decreased by \$1,334,118 due to changes in the proportionate share of TRS net pension assets. Other liabilities decreased by \$1,589,973. This was primarily attributable to an decrease in the amount due to teachers' retirement system offset by an increase in accounts payable. Long-term liabilities increased by \$616,171 primarily due to the increase in net other post employment benefits obligation offset by decreases in bonds payable, and energy performance debt payable. Net pension liability, proportionate share increased by \$3,063,323 due to changes in the net pension liability for ERS. The changes in deferred inflows and outflows represent amortization of pension related items as described in Note 12 and amortization on the gain on defeasance.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and machinery & equipment, net of depreciation and related debt. This number increased from the prior year by \$132,850 due to District-wide capital improvements during the year, and the pay down of debt.

The restricted net position in the amount of \$17,972,120 is comprised of amounts with constraints placed on the use externally imposed by creditors, grantors and contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions of enabling legislation. See page 12 of this MD&A and Note 1 to Financial Statements for further descriptions and detailed balances.

The unrestricted net position of \$2,537,385 relates to the balance of the District's net position. The unrestricted net position increased by \$4,047,626 from the prior year and represents the amount by which the District's liabilities and deferred inflows of resources excluding debt related to capital construction exceeded assets other than capital assets and deferred outflows of resources.

Overall, the net position increased by \$5,956,348.

B) Changes in Net Position:

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

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

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

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for services	\$1,044,355	\$1,276,384	(\$232,029)	(18.18%)
Operating grants	2,522,378	2,476,953	45,425	1.83%
General Revenues				
Property taxes and other tax items	52,941,056	51,762,130	1,178,926	2.28%
State sources	28,201,711	26,746,319	1,455,392	5.44%
Medicaid reimbursement	94,741	87,415	7,326	8.38%
Use of money & property	128,941	109,082	19,859	18.21%
Other	341,705	239,921	101,784	42.42%
Total Revenues	85,274,887	82,698,204	2,576,683	3.12%
Expenses				
General support	\$8,331,606	\$7,974,375	\$357,231	4.48%
Instruction	64,454,349	62,756,153	1,698,196	2.71%
Pupil transportation	4,641,419	4,332,251	309,168	7.14%
Community service	61,249	62,591	(1,342)	(2.14%)
Debt service-interest	636,998	898,369	(261,371)	(29.09%)
Food service program	1,192,918	1,181,630	11,288	0.96%
Total Expenses	79,318,539	77,205,369	2,113,170	2.74%
Other changes in net position		(144,907)	(144,907)	(100.00%)
Increase (Decrease) in Net Position	\$5,956,348	\$5,347,928	\$608,420	11.38%

The District's total fiscal year 2016 revenues totaled \$85,274,887. (See Table A-4). Property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 62.08% and 33.07%, respectively, of total revenue. (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$79,318,539 for fiscal year 2016. These expenses are predominantly related to general instruction and transporting students, which account for 87.11% of District expenses. (See Table A-6). The District's general support activities accounted for 10.50% of total costs.

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

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

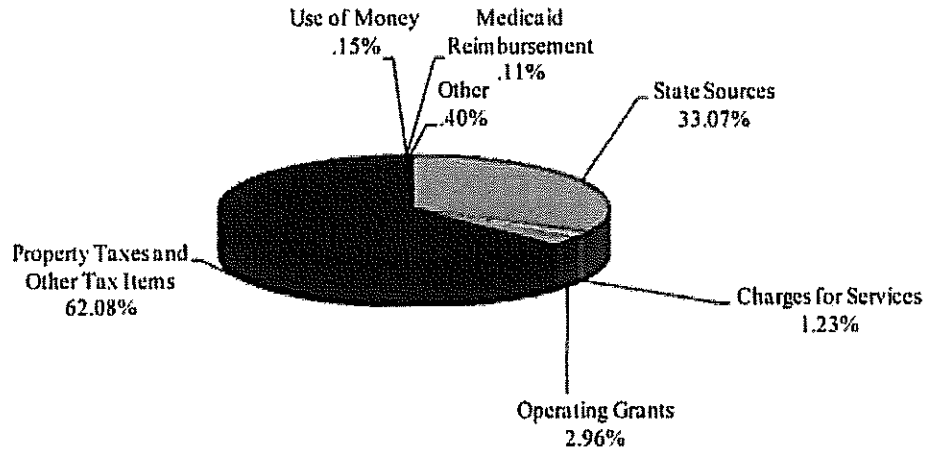
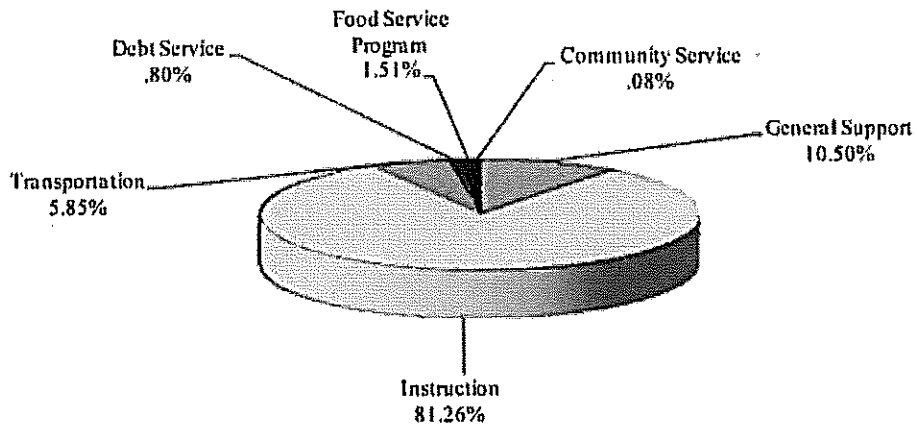


Table A-6: Expenses for Fiscal Year 2016 (See Tables A-4 and A-7)



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

Governmental Activities:

Revenues for the District's governmental activities totaled \$85,274,887 while total expenses equaled \$79,318,539. Actual revenues exceeded expenditures by \$5,956,348. The continuation of the District's good financial condition, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Approval of the District's proposed annual budget;
- Strategic use of services from the Eastern Suffolk Board of Cooperative Educational Services (BOCES);
- Improved curriculum and community support;
- Procedures and controls are continually monitored and updated.

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

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2016	2015	2016	2015
General support	\$8,331,606	\$7,974,375	\$8,331,606	\$7,974,375
Instruction	64,454,349	62,756,153	62,176,542	60,214,711
Pupil transportation	4,641,419	4,332,251	4,463,595	4,186,022
Community service	61,249	62,591	61,249	62,591
Debt service - interest	636,998	898,369	636,998	898,369
Food service program	1,192,918	1,181,630	81,816	115,964
Total	\$79,318,539	\$77,205,369	\$75,751,806	\$73,452,032

- The cost of all governmental activities this year was \$79,318,539. (Statement of Activities, Expenses column-see Exhibit 3)
- The users of the District's programs financed \$1,044,355 of the cost. (Statement of Activities, Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$2,522,378. (Statement of Activities, Operating Grants column – see Exhibit 3)

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

- Most of the District's net costs of \$75,751,806 were financed by District taxpayers and state aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2016, the District's combined governmental funds reported a total fund balance of \$26,193,767 which is an increase of \$1,887,831 from the prior year. The increase can be attributed to an overall increase in the general fund balance.

A summary of the changes in the fund balance for all funds are:

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

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Percentage Change
General Fund				
Restricted for employee benefit accrued liability	\$8,886,869	\$8,235,214	\$651,655	7.91%
Restricted for retirement contribution	8,100,000	6,900,000	1,200,000	17.39%
Restricted for unemployment insurance	250,000	250,000	-	0.00%
Restricted for workers' compensation	735,251	811,034	(75,783)	(9.34%)
Assigned-designated for subsequent year's expenditures	3,000,000	3,400,000	(400,000)	(11.76%)
Assigned-general support	228,494	43,093	185,401	430.23%
Assigned-instruction	164,048	51,473	112,575	218.71%
Assigned-public transportation	476		476	N/A
Assigned-employee benefits	13,424	6,500	6,924	106.52%
Unassigned	3,437,954	3,283,256	154,698	4.71%
Total Fund Balance - General Fund	<u>\$24,816,516</u>	<u>\$22,980,570</u>	<u>\$1,835,946</u>	7.99%
School Lunch Fund				
Nonspendable - inventory	\$21,502	\$17,387	\$4,115	23.67%
Assigned	363,714	313,748	49,966	15.93%
Total Fund Balance - School Lunch Fund	<u>\$385,216</u>	<u>\$331,135</u>	<u>\$54,081</u>	16.33%
Capital Projects Fund				
Restricted - unspent proceeds		\$215,692	(\$215,692)	(100.00%)
Assigned	\$992,035	778,539	213,496	27.42%
Total Fund Balance - Capital Projects Fund	<u>\$992,035</u>	<u>\$994,231</u>	<u>(\$2,196)</u>	(0.22%)
Total Fund Balances - All funds	<u>\$26,193,767</u>	<u>\$24,305,936</u>	<u>\$1,887,831</u>	7.77%

The District can attribute changes to fund balance in the general fund primarily due to operating results in which revenues of \$82,238,677 exceeded expenditures and other financing sources of \$80,402,731 by \$1,835,946.

The change in restricted fund balance for the employee benefit accrued liability and retirement contribution reserve is due to transfers from unassigned fund balance.

The increase in the school lunch fund balance is due to a transfer from the general fund, which offset the operating deficit of the program.

The decrease in the capital projects fund decreased due to a use of available funds to fund current capital projects.

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

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2015-2016 Budget:

The District's voter approved general fund adopted budget for the year ended June 30, 2016 was \$85,187,350. This amount was increased by encumbrances carried forward from the prior year in the amount of \$101,066 resulting in a final budget of \$85,288,416. The majority of the funding was property taxes and STAR revenue of \$46,192,350 and \$6,700,000 respectively.

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

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

Opening, unassigned fund balance	\$3,283,256
Revenues over budget	451,327
Expenditures and encumbrances under budget	4,479,243
Increase in employee benefit accrued liability reserve	(651,655)
Increase in retirement system reserve	(1,200,000)
Decrease in worker's compensation reserve	75,783
Assigned for June 30, 2017 Budget	(3,000,000)
Closing, unassigned fund balance	<u><u>\$3,437,954</u></u>

The opening unassigned fund balance of \$3,283,256 is the June 30, 2015 unassigned fund balance.

The revenues over budget of \$451,327 were from additional state aid received and miscellaneous revenue.

The expenditures and encumbrances under budget of \$4,479,243 were primarily in instructional salary expenditures, employee benefits, and central services. (see Supplemental Schedule #1 for detail)

The District increased the employee benefit accrued liability reserve by \$651,655. This reserve is used for the payment of accrued employee benefit due to an employee upon termination of the employee's service.

The District increased the retirement contribution reserve by \$1,200,000. This reserve is used for financing retirement contributions to the employees' retirement system.

The District decreased the reserve for workers' compensation by \$75,783. This reserve is used to fund the value of future workers' compensation benefits that have claims filed and is based upon a third party projection on future liability.

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

The District assigned \$3,000,000 to partially fund its 2016-2017 budget.

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

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets:

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

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

<u>Category</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>	<u>Percentage Change</u>
Land & land improvements	\$2,331,231	\$2,331,231	0.00%
Buildings & building improvements	53,160,484	53,157,384	0.01%
Furniture & equipment	3,929,212	3,899,766	0.76%
Vehicles	368,816	377,716	(2.36%)
Construction in progress	1,108,453	356,257	211.14%
Subtotal	<u>60,898,196</u>	<u>60,122,354</u>	1.29%
Less: Accumulated depreciation	<u>37,671,902</u>	<u>35,361,516</u>	6.53%
Total net capital assets	<u>\$23,226,294</u>	<u>\$24,760,838</u>	(6.20%)

During the year the District spent \$777,156 in the capital projects fund on building improvements and furniture and equipment and \$36,961 in the general fund on equipment.

B) Long-Term Debt Obligations:

At June 30, 2016, the District had total bonds payable of \$13,250,000, energy performance debt payable of \$4,535,693 and installment debt payable of \$24,960. The decrease in outstanding debt represents principal payments. The increase in installment debt represents the District issuing new installment debt offset by principal payments. A summary of outstanding debt at June 30, 2016 and 2015 is as follows:

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

	2016	2015	Increase (Decrease)
Serial bonds payable	\$13,250,000	\$14,640,000	(\$1,390,000)
Energy performance debt payable	4,535,693	4,991,166	(455,473)
Installment debt payable	24,960	8,078	16,882
Total	\$17,810,653	\$19,639,244	(\$1,828,591)

Refer to Footnote 10 for further detail on long-term obligations disclosures.

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A) On July 28, 2016, the District refunded serial bonds in the amount of \$4,010,000 maturing in 2023.
- B) The general fund budget for the 2016-2017 school year was approved by the voters in the amount of \$87,237,217. This is an increase in the operating budget of \$2,049,867 or 2.4% over the previous year's budget. The increase was primarily due to increases in contractual costs related to new positions included in the budget.
- C) The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.
- D) New York State recently enacted a law to effectively "freeze" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The law is effective for school districts starting with the 2014-2015 school year. This program will provide an incentive for the District to be tax cap compliant. The district remains tax compliant.
- E) The Patient Protection and Affordable Care Act or more commonly referred to as the Affordable Care Act was enacted into law on March 23, 2010. Beginning in 2015, the mandate requires large employers (generally those with fifty (50) or more full-time equivalent employees) to either offer affordable health coverage to full-time employees and their dependents, or pay a penalty if the employer fails to offer affordable health coverage, and at least one full-time employee receives a premium tax credit to help purchase coverage through an Affordable Insurance Exchange. It is anticipated that implementation of this law will increase the health insurance costs for the District.

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

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Brookhaven-Comsewogue Union Free School District
Ms. Susan Casali, CPA
Assistant Superintendent for Business
290 Norwood Avenue
Port Jefferson Station, New York 11776
(631) 474-8116

BROOKHAVEN-CONSEWOGUE UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS	
Current assets	
Cash	
Unrestricted	\$14,034,249
Restricted	17,972,120
Receivables	
State and federal aid	1,841,632
Due from other governments	1,190,634
Due from fiduciary funds	2
Other	28,378
Inventories	21,302
Non-current assets	
Capital assets	
Not being depreciated	1,808,053
Being depreciated, net of accumulated depreciation	21,418,241
Net pension asset - proportionate share	<u>24,468,016</u>
TOTAL ASSETS	<u>82,782,827</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	8,535,050
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$91,317,877</u>
LIABILITIES	
Payables	
Accounts payable	590,230
Accrued liabilities	2,517,217
Accrued interest payable	190,927
Due to teachers' retirement system	4,967,130
Due to employees' retirement system	237,010
Due to other governments	21,549
Due to fiduciary funds	136
Compensated absences payable	132,235
Unearned credits	
Collections in advance	99,243
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,435,000
Installment debt payable	6,240
Energy performance debt payable	469,461
Claims payable	37,892
Termination benefits payable	180,348
Compensated absences payable	328,499
Due and payable after one year	
Bonds payable	11,815,000
Installment debt payable	18,720
Energy performance debt payable	4,066,232
Claims payable	697,359
Termination benefits payable	3,249,258
Compensated absences payable	8,530,070
Net other post employment benefits obligation	12,582,651
Net pension liability - proportionate share	<u>3,874,868</u>
TOTAL LIABILITIES	<u>\$56,377,275</u>
DEFERRED INFLOWS OF RESOURCES	
Gain on defeasance	440,495
Pensions	<u>9,015,456</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>65,833,226</u>
NET POSITION	
Net investment in capital assets	<u>4,975,146</u>
Restricted	
Employee benefit accrued liability	8,886,869
Retirement contribution	8,100,000
Unemployment insurance	250,000
Workers' compensation	<u>735,251</u>
	<u>17,972,120</u>
Unrestricted	<u>2,537,385</u>
TOTAL NET POSITION	<u>25,484,651</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$91,317,877</u>

BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS / PROGRAMS				
General support	(\$8,331,606)			(\$8,331,606)
Instruction	(64,454,349)	\$561,118	\$1,716,689	(62,176,542)
Pupil transportation	(4,641,419)		177,824	(4,463,595)
Community services	(61,249)			(61,249)
Debt service - interest	(636,998)			(636,998)
Food service program	(1,192,918)	483,237	627,865	(81,816)
TOTAL FUNCTIONS AND PROGRAMS	<u>(\$79,318,539)</u>	<u>\$1,044,355</u>	<u>\$2,522,378</u>	<u>(75,751,806)</u>
GENERAL REVENUES				
Real property taxes				46,245,602
Other tax items - including STAR reimbursement				6,695,454
Use of money & property				128,941
Sale of property & compensation for loss				9,787
Miscellaneous				331,918
State sources				28,201,711
Medicaid reimbursement				94,741
TOTAL GENERAL REVENUES				<u>81,708,154</u>
CHANGE IN NET POSITION				5,956,348
TOTAL NET POSITION - BEGINNING OF YEAR				<u>19,528,303</u>
TOTAL NET POSITION - END OF YEAR				<u>\$25,484,651</u>

BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash					
Unrestricted	\$12,585,043	\$9,780	\$446,001	\$993,425	\$14,034,249
Restricted	17,972,120				17,972,120
Receivables					
State and federal aid	803,507	1,000,361	37,764		1,841,632
Due from other governments	1,190,634				1,190,634
Due from other funds	1,062,871				1,062,871
Other	26,483		1,895		28,378
Inventories			21,502		21,502
TOTAL ASSETS	<u>\$33,640,658</u>	<u>\$1,010,141</u>	<u>\$507,162</u>	<u>\$993,425</u>	<u>\$36,151,386</u>
LIABILITIES AND FUND BALANCES					
Payables					
Accounts payable	\$877,757	\$20,963	\$120	\$1,390	\$900,230
Accrued liabilities	2,502,119		15,098		2,517,217
Due to other governments	21,330		219		21,549
Due to other funds		977,318	85,687		1,063,005
Due to teachers' retirement system	4,967,130				4,967,130
Due to employees' retirement system	257,010				257,010
Compensated absences	132,235				132,235
Unearned credits					
Collections in advance	66,561	11,860	20,822		99,243
TOTAL LIABILITIES	<u>8,824,142</u>	<u>1,010,141</u>	<u>121,946</u>	<u>1,390</u>	<u>9,957,619</u>
FUND BALANCES					
Non-spendable: Inventory			21,502		21,502
Restricted:					
Employee benefit accrued liability	8,886,869				8,886,869
Retirement contribution	8,100,000				8,100,000
Unemployment insurance	250,000				250,000
Workers' compensation	735,251				735,251
Assigned:					
Appropriated fund balance	3,000,000				3,000,000
Unappropriated fund balance	406,442		363,714	992,035	1,762,191
Unassigned: Fund balance	3,437,954				3,437,954
TOTAL FUND BALANCES	<u>24,816,516</u>	<u>-</u>	<u>385,216</u>	<u>992,035</u>	<u>26,193,767</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$33,640,658</u>	<u>\$1,010,141</u>	<u>\$507,162</u>	<u>\$993,425</u>	<u>\$36,151,386</u>

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Governmental Fund Balances \$26,193,767

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

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. 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	\$60,898,196	
Accumulated depreciation	<u>(37,671,902)</u>	23,226,294

Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset - proportionate share at year-end for TRS was: 24,468,016

Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to 8,535,050

Deferred inflows of resources - gain on defeasance on the advance refunding. The Statement of Net Position will amortize the gain on defeasance on the advance refunding over the life of the bond. Governmental funds recorded the gain on defeasance on the advance refunding as revenue in year of the refunding. (440,495)

Deferred inflows of resources- The Statement of Net Position recognized revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. Deferred inflows related to pensions that will be recognized as a reduction in pension expense in future periods amounted to (9,015,456)

Payables that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:

Accrued interest payable	(190,927)
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable	(\$13,250,000)	
Installment debt payable	(24,960)	
Energy performance debt payable	(4,535,693)	
Claims payable	(735,251)	
Termination benefits payable	(3,429,606)	
Compensated absences payable	(8,858,569)	
Net other post employment benefits obligation	(12,582,651)	
Net pension liability - proportionate share (ERS)	<u>(3,874,868)</u>	
		<u>(47,291,598)</u>

Total Net Position \$25,484,651

BROOKHAVEN-COMSEVOGUE UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$46,245,602				\$46,245,602
Other tax items - including STAR reimbursement	6,695,454				6,695,454
Charges for services	561,118				561,118
Use of money and property	128,941				128,941
Sale of property and compensation for loss	9,787				9,787
Miscellaneous	301,323		\$30,595		331,918
Local sources		51,605			1,605
State sources	28,201,711	686,716	21,910		28,910,337
Federal sources	94,741	1,206,192	524,714		1,825,647
Surplus food			81,241		81,241
Sales - school lunch			483,237		483,237
TOTAL REVENUES	<u>82,238,677</u>	<u>1,894,513</u>	<u>1,141,697</u>	<u>-</u>	<u>85,274,887</u>
EXPENDITURES					
General support	7,069,738				7,069,738
Instruction	47,858,029	1,823,079			49,681,108
Pupil transportation	4,410,215	177,824			4,588,039
Employee benefits	17,554,554				17,554,554
Debt service principal	1,853,551				1,853,551
Debt service interest	700,254				700,254
Cost of sales			1,187,616		1,187,616
Capital outlay				\$777,156	777,156
TOTAL EXPENDITURES	<u>79,446,341</u>	<u>2,000,903</u>	<u>1,187,616</u>	<u>777,156</u>	<u>83,412,016</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,792,336</u>	<u>(106,390)</u>	<u>(45,919)</u>	<u>(777,156)</u>	<u>1,862,871</u>
OTHER FINANCING SOURCES AND (USES)					
Proceeds from installment debt				24,960	24,960
Operating transfers in		106,390	100,000	750,000	956,390
Operating transfers (out)	(956,390)				(956,390)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(956,390)</u>	<u>106,390</u>	<u>100,000</u>	<u>774,960</u>	<u>24,960</u>
NET CHANGE IN FUND BALANCES	1,835,946	-	54,081	(2,196)	1,887,831
FUND BALANCES - BEGINNING OF YEAR	<u>22,980,570</u>	<u>-</u>	<u>331,135</u>	<u>994,231</u>	<u>24,305,936</u>
FUND BALANCES - END OF YEAR	<u>\$24,816,516</u>	<u>\$ -</u>	<u>\$385,216</u>	<u>\$992,035</u>	<u>\$26,193,767</u>

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances		\$1,887,831
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long Term Revenue and Expense Differences		
Claims payable in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Claims payable for the year ended June 30, 2016 changed by		75,783
In the Statement of Activities, termination benefits payable are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount financial resources used. Termination benefits payable for the year ended June 30, 2016 changed by		(339,236)
In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount financial resources used. Compensated absences payable for the year ended June 30, 2016 changed by		(623,355)
Net other post-employment benefits obligation payable in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Net other post-employment benefits obligation payable for the year ended June 30, 2016 changed by		(1,557,954)
Increases / decreases in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		
	Teachers' retirement system	\$6,445,607
	Employees' retirement system	<u>(289,631)</u>
		6,155,976
Capital Related Differences		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
	Capital outlays	\$814,117
	Loss on disposal	(3,068)
	Depreciation expense	<u>(2,345,593)</u>
		(1,534,544)
Long-Term Debt Differences		
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2015 to June 30, 2016 changed by		8,761
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		1,390,000
Proceeds from installment debt is an other funding source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		(24,960)
Repayment of installment debt principal is an expenditure in the governmental funds, but it reduces long-term long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		8,078
Repayment of energy performance principal is an expenditure in the governmental funds, but it reduces long-term long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		455,473
Defeasance gain - gain on the advanced bond refunding. The Statement of Activities recognizes revenue over the life of the bond. Governmental funds recognized the defeasance gain on the advanced bond refunding as revenue in the current year. Amortization of the defeasance gain for the year ended June 30, 2016 was		<u>54,495</u>
Change in Net Position		<u>\$5,956,348</u>

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash - restricted	\$48,204	\$251,266
Due from other funds	136	
TOTAL ASSETS	<u>\$48,340</u>	<u>\$251,266</u>
LIABILITIES		
Due to governmental funds		\$2
Extraclassroom activity balance		148,456
Other liabilities		102,808
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$251,266</u>
NET POSITION		
Restricted for scholarships	\$48,340	
TOTAL NET POSITION	<u>\$48,340</u>	

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

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	<u>\$47,370</u>
TOTAL ADDITIONS	<u>47,370</u>
DEDUCTIONS	
Scholarships and awards	<u>41,050</u>
TOTAL DEDUCTIONS	<u>41,050</u>
CHANGE IN NET POSITION	6,320
NET POSITION - BEGINNING OF YEAR	<u>42,020</u>
NET POSITION - END OF YEAR	<u><u>\$48,340</u></u>

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting entity:

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

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

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

Extraclassroom Activity Funds

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

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financial statements of the Extraclassroom Activity Funds can be found at the District's business office.

B) Joint venture:

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

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

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

C) Basis of presentation:

i) District-Wide Financial Statements:

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

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational

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or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

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

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

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

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

The District reports the following fiduciary funds:

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

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

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

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D) Measurement focus and basis of accounting:

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

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within six months after the end of the fiscal year including real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

E) Real Property taxes:

i) Calendar:

Real property taxes are levied annually by the Board of Education no later than November 1, and become a lien on December 1. Taxes were collected by the Town of Brookhaven during the period 2015-2016.

ii) Enforcement:

Uncollected real property taxes are subsequently enforced by Suffolk County (the "County"). The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

F) Restricted resources:

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the

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intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

G) Interfund transactions:

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

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

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

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

H) Estimates:

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

I) Cash and cash equivalents:

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

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

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J) Receivables:

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

K) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market.

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

A reserve for these non-liquid assets (inventories) has been recognized in the school lunch fund as non-spendable under GASB Statement No. 54 to signify that a portion of fund balance is not available for other subsequent expenditures.

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

L) Capital assets:

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

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

	<u>Threshold</u>	<u>Method</u>	<u>Useful Life</u>
Building & building improvements	\$2,000	Straight-line	20 years
Furniture & equipment	\$2,000	Straight-line	5-20 years
Land improvements	\$2,000	Straight-line	10 years
Vehicles	\$2,000	Straight-line	8 years

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M) Collections in advance:

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

Collections in advance consist of amounts received in advance for the summer program in the general fund; for amounts received in advance for meals that have not yet been purchased in the school lunch fund and for amounts received in advance for grants in the special aid fund.

N) Deferred outflows and inflows of resources - pensions:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. The District reported \$8,535,050 of deferred outflows of resources at June 30, 2016 representing pension related items reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS), change of assumptions (ERS), the net difference between projected and actual investment earnings on pension plan investments (ERS), changes in proportion and differences between employer contributions and proportionate share of contributions (ERS), and the District's contributions to the pension systems (TRS and ERS systems) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reported \$9,015,456 of deferred inflows of resources at June 30, 2016 representing pension related items reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS and TRS Systems), projected and actual earnings on pension plan investment (TRS), and changes in proportion (TRS).

Deferred inflows of resources – gain on defeasance:

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District reported \$440,495 of deferred inflows of resources at June 30, 2016, representing the financial effect of deferred change on the advance refunding of general obligation serial bonds. A deferred inflow of resources results from the difference in the net carrying value of refunded debt over its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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O) Vested employee benefits:

Compensated absences

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

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

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

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

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

Termination Benefits

Retirement incentive consists of first year eligible retirement incentive payments as specified in collective bargaining agreements. The liability is calculated in accordance with GASB Statement No. 47 *Accounting for Termination Benefits*. The liability is calculated on years of service plus rates in effect at year end.

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

P) Other benefits:

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

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors.

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Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid 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.

Q) Short-term debt:

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

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities 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 dated.

The District has not issued or retired any short-term debt in the fiscal year ended June 30, 2016.

R) Accrued liabilities and long-term obligations:

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

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

S) Equity Classifications:

i) District-Wide Financial Statements:

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

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, net of any unexpended proceeds and including any unamortized items (discounts, premiums, gain on refunding).

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

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

ii) Funds Financial Statements:

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

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

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

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML§6-p), must be used for the payment of accrued employee benefit due to an employee upon termination of the

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employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution Reserve

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

Unemployment Insurance Reserve

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

Workers' Compensation Reserve

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

Scholarships

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

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

- 4) **Assigned fund balance** – Includes amounts that are 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. Assigned fund balance also includes Board designations and encumbrances not classified as restricted or committed at the end of the fiscal year.

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

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

Order of Use of Fund Balance

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

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T) Future Changes in Accounting Standards:

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

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

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

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

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

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

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

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

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

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

i) Long-term revenue and expense differences:

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

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

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

iv) Employee benefit allocations:

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balances based on the requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

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NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

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

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

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

B) Encumbrances:

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

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NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

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

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

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

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2016 included \$17,972,120 within the governmental funds for general reserve purposes and \$299,470 in the fiduciary funds.

B) Investments:

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

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 – PARTICIPATION IN BOCES:

During the year ended June 30, 2016, the District was billed \$7,377,167 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,190,634. Financial statements for the Eastern Suffolk BOCES are available from the Eastern Suffolk BOCES administrative office at 201 Sunrise Highway, Patchogue, 11772.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

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

General Fund	
New York state aid - excess cost aid	\$ 793,488
New York state aid - general aid	<u>10,019</u>
Total	<u>803,507</u>
Special Aid Fund	
State aid	481,391
Federal aid	<u>518,970</u>
Total	<u>1,000,361</u>
School Lunch Fund	
State and federal food service program reimbursements	<u>\$ 37,764</u>
 Total - State and Federal aid receivable	 <u>\$ 1,841,632</u>

District management has deemed the amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

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

BOCES aid	<u>\$ 1,190,634</u>
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District management has deemed the amounts to be fully collectible.

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - CAPITAL ASSETS:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$699,600			\$699,600
Construction in progress	356,257	\$752,196		1,108,453
Total capital assets not being depreciated	1,055,857	752,196	-	1,808,053
Capital assets being depreciated:				
Building & building improvements	53,157,384	3,100		53,160,484
Land improvements	1,631,631			1,631,631
Furniture and equipment	3,899,766	58,821	(29,375)	3,929,212
Vehicles	377,716		(8,900)	368,816
Total capital assets being depreciated	59,066,497	61,921	(38,275)	59,090,143
Less accumulated depreciation:				
Building & building improvements	30,646,542	2,130,131		32,776,673
Land improvements	1,107,642	79,753		1,187,395
Furniture and equipment	3,326,458	114,609	(26,307)	3,414,760
Vehicles	280,874	21,100	(8,900)	293,074
Total accumulated depreciation	35,361,516	2,345,593	(35,207)	37,671,902
Total capital assets being depreciated, net	23,704,981	(2,283,672)	(3,068)	21,418,241
Capital assets, net	\$24,760,838	(\$1,531,476)	(\$3,068)	\$23,226,294

Depreciation expense and the loss on disposal was charged to governmental functions as follows:

General support	\$ 69,957
Instruction	2,273,402
Food service program	5,302
Total depreciation expense and loss on disposal	\$ 2,348,661

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$1,062,871			\$956,390
Special Aid Fund		\$977,318	\$106,390	
School Lunch Fund		85,687	100,000	
Capital Projects Fund			750,000	
Total governmental activities	<u>1,062,871</u>	<u>1,063,005</u>	<u>956,390</u>	<u>956,390</u>
Fiduciary Agency Fund	136	2		
Totals	<u><u>\$1,063,007</u></u>	<u><u>\$1,063,007</u></u>	<u><u>\$956,390</u></u>	<u><u>\$956,390</u></u>

The District typically transfers from the general fund to the special aid fund to fund the District's share of summer school handicap expenses required by state law and State Supported schools for the blind and deaf. The District transfers to the school lunch fund to fund the employee retirement expenses. The District typically transfers from the general fund to the capital projects fund to finance capital projects.

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

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

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 10 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Long-term debt:					
Bonds payable:	\$14,640,000		\$1,390,000	\$13,250,000	\$1,435,000
Energy performance debt payable	4,991,166		455,473	4,535,693	469,461
Installment debt payable	8,078	\$24,960	8,078	24,960	6,240
Other long-term liabilities:					
Claims payable	811,034	1,668	77,451	735,251	37,892
Termination benefits payable	3,090,370	444,320	105,084	3,429,606	180,348
Compensated absences payable	8,235,214	826,241	202,886	8,858,569	328,499
Net other post employment benefits	11,024,697	3,464,350	1,906,396	12,582,651	
Net pension liability-proportionate share	811,545	4,231,852	1,168,529	3,874,868	
Total long-term liabilities	<u>\$43,612,104</u>	<u>\$8,993,391</u>	<u>\$5,313,897</u>	<u>\$47,291,598</u>	<u>\$2,457,440</u>

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

In the prior year, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2016, \$8,180,000 of bonds outstanding is considered defeased.

A) Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Construction Serial Bond	6/15/2008	7/15/2024	3.625-4%	\$5,650,000
Construction Serial Bond-Refunding	5/3/2012	7/25/2025	1.125-5%	7,600,000
				<u>\$13,250,000</u>

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

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
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Fiscal Year Ended June 30,	Principal	Interest	Total
2017	\$1,435,000	\$528,024	\$1,963,024
2018	1,480,000	476,275	1,956,275
2019	1,540,000	417,750	1,957,750
2020	1,600,000	355,450	1,955,450
2021	1,690,000	290,650	1,980,650
2022-2025	5,505,000	473,025	5,978,025
	<u>\$13,250,000</u>	<u>\$2,541,174</u>	<u>\$15,791,174</u>

B) Energy Performance Debt

Energy performance debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy Performance Debt	5/17/2005	3/15/2021	3.85%	\$1,311,076
Energy Performance Debt	6/6/2012	11/15/2028	2.19%	3,224,617
				<u>\$4,535,693</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2017	\$469,461	\$117,680	\$587,141
2018	483,911	103,229	587,140
2019	498,840	88,300	587,140
2020	514,265	72,874	587,139
2021	530,203	56,938	587,141
2022-2026	1,322,015	159,430	1,481,445
2027-2029	716,998	23,725	740,723
	<u>\$4,535,693</u>	<u>\$622,176</u>	<u>\$5,157,869</u>

C) Installment Debt

Installment debt is comprised of the following:

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Mail Machine	11/2015	10/2020	N/A	\$24,960
				<u>\$24,960</u>

The following is a summary of debt service requirements for installment debt:

Fiscal Year Ended June 30,	Principal	Interest	Total
2017	\$ 6,240	\$ -	\$ 6,240
2018	6,240		6,240
2019	6,240		6,240
2020	6,240		6,240
	<u>\$ 24,960</u>	<u>\$ -</u>	<u>\$ 24,960</u>

D) Long-Term Interest

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

Interest paid	<u>\$700,254</u>
Less interest accrued in the prior year	(199,688)
Plus interest accrued in the current year	190,927
Less amortization on the gain on defeasance	<u>(54,495)</u>
Total expense	<u>\$636,998</u>

NOTE 11 – DEFERRED INFLOWS OF RESOURCES-GAIN ON DEFEASANCE:

The gain on defeasance pertaining to the 2005 refunding as recorded in the District-Wide Financial Statements as deferred inflows of resources at June 30, 2016 consisted of the following:

Bond premium	(\$807,266)
Deferred amounts on refunding	<u>366,771</u>
Total Gain on defeasance	<u>(\$440,495)</u>

The gain on defeasance on the advanced refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 6 years, the time to maturity of the refunded bonds, at the point of refunding, and is recorded as a component of interest expense.

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 – PENSION PLANS:

A) Plan Description and Benefits Provided:

i) Teachers' Retirement System

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

ii) Employees' Retirement System

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

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

B) Funding Policies:

The Systems are noncontributory, except as follows:

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

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

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

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

	NYSERS	NYSTRS
2016	\$ 1,127,479	\$ 4,778,789
2015	\$ 1,187,324	\$ 6,203,082
2014	\$ 1,319,896	\$ 5,559,995

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Net pension asset/(liability)	\$ (3,874,868)	\$ 24,468,106
District's portion of the Plan's total net pension asset/(liability)	0.0241421%	0.235568%
Change in proportion since the prior measurement date	0.0001194%	0.003938%

For the year ended June 30, 2016, the District recognized pension expense of (\$1,642,154) for TRS and \$1,417,112 for ERS. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
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	<u>Deferred Outflow of Resources</u>		<u>Deferred Inflow of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 19,581	\$ -	\$ 459,301	\$ 678,113
Change of assumptions	1,033,311			
Net difference between projected and actual earnings on pension plan investments	2,298,784			7,734,467
Changes in proportion and differences between the District's contributions and proportionate share of contributions	122,911			143,575
District's contributions subsequent to the measurement date	<u>257,010</u>	<u>4,803,453</u>	<u>\$ 459,301</u>	<u>\$ 8,556,155</u>
	<u>\$ 3,731,597</u>	<u>\$ 4,803,453</u>	<u>\$ 459,301</u>	<u>\$ 8,556,155</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Plan Year ended:		
2016		\$ (3,137,417)
2017	\$ 766,407	\$ (3,137,417)
2018	\$ 766,407	\$ (3,137,417)
2019	\$ 766,407	\$ 1,268,473
2020	\$ 716,065	\$ (102,326)
Thereafter		\$ (310,051)

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:

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7.00%	8.00%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.50%	3.00%

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

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

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

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

Discount Rate

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

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

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

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<u>ERS</u>	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Employer's proportionate share Of the net pension asset (liability)	(\$8,737,547)	(\$3,874,868)	\$233,887

<u>TRS</u>	<u>1% Decrease (7.0%)</u>	<u>Current Assumption (8.0%)</u>	<u>1% Increase (9.0%)</u>
Employer's proportionate share Of the net pension asset (liability)	(\$1,669,034)	\$24,468,016	\$46,757,431

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Valuation date	April 1, 2015	June 30, 2014
Employers' total pension liability	\$ (172,303,544)	\$ (99,332,104)
Plan Fiduciary Net Position	<u>156,253,265</u>	<u>109,718,917</u>
Employers' net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ 10,386,813</u>
 Ratio of plan fiduciary net position to the Employers' total pension asset/(liability)	 90.70%	 110.46%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$257,010.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
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contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$4,967,130.

NOTE 13 – RETIREMENT PLANS – OTHER:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2016, totaled \$516,835 and \$1,909,289 respectively.

B) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2016 totaled \$93,215.

NOTE 14 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) Plan Description:

NYSHIP Empire Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by New York State. The Plan provides medical insurance benefits to eligible retirees and their eligible dependents. Article 37 of the Statutes of the state assigns the authority to establish and amend benefit provisions to the school district.

B) Funding Policy:

The District shares of the cost of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the Fund Financial Statements as payments are made. For the fiscal year 2016, the District contributed \$1,906,396 the Plan. Plan members receiving benefits contributed approximately 50%-65% of the health insurance premium. Currently, there is no provision in the law to permit the District to fund other post-employment benefits by any means other than the "pay as you go" method. Therefore, there are no plan assets and no report is issued.

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
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C) Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$ 3,326,041
Interest on net OPEB obligation	551,235
Adjustment to Annual Required Contribution	(412,926)
Annual OPEB cost (expense)	3,464,350
Contributions made	1,906,396
Increase in net OPEB obligation	1,557,954
Net OPEB obligation-beginning of year	11,024,697
Net OPEB obligation-end of year	\$ 12,582,651

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

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 3,475,346	\$ 3,572,807	\$ 1,821,638	51%	\$ 9,519,857
June 30, 2015	\$ 3,195,217	\$ 3,314,648	\$ 1,809,808	55%	\$ 11,024,697
June 30, 2016	\$ 3,326,041	\$ 3,464,350	\$ 1,906,396	55%	\$ 12,582,651

D) Funded Status and Funding Progress:

As of July 1, 2014, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was \$46,360,853 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$46,360,853. The covered payroll (annual payroll of active employees covered by the plan) was \$41,768,454 and the ratio of the UAAL to the covered payroll was 111.0%.

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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 plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between the District and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term liability in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the liabilities were computed using the projected unit credit cost method. The actuarial assumptions utilized a 5% investment rate of return, based on the projected long-term earnings rate of assets expected to be available to pay benefits. The valuation assumes a 4.70% healthcare cost trend initially, reduced to an ultimate rate of 3.84%. The remaining amortization period at June 30, 2016 was twenty two years.

NOTE 15 – TERMINATION BENEFITS PAYABLE:

The District offers a retirement incentive to teachers, full time clerical staff, custodial staff and cooks through their employment contracts. For teachers, a retirement incentive of \$1,000 for each year of teaching service, to a maximum of \$22,000, is available to those who have been in the employ of the District for at least 10 years, who have sufficient service credit with the New York State Teachers' Retirement System, and who submit their resignation by September 15th of the year in which the retirement takes place. For clerical and custodial staff and cooks, a retirement incentive of \$400 for each year of service, to a maximum of \$12,000, is available to those who are eligible to retire with pension benefits pursuant to New York State Employees' Retirement System, and who notify the District no later than 60 days prior to the date of retirement. The current value of incentive payments earned is \$3,429,606 and is recorded as a long-term liability on the Statement of Net Position.

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 16 – RISK MANAGEMENT:

A) General:

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

B) Risk Retention:

The District has established a self-insured plan for risks associated with Workers' Compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported which were incurred on or before year-end but not paid. As of June 30, 2016, the District has an incurred but unpaid claims liability of \$735,251 and has a workers' compensation reserve balance of \$735,251.

Claims activity for the current year is as follows:

	2016
Unpaid claims at beginning of year	\$ 811,034
Claims incurred and claim adjustment expenses	1,668
Claims paid	(77,451)
Unpaid claims at year end	\$ 735,251

The District has chosen to establish a self-funded dental benefit program for its employees. The benefit programs administrator, CBCA, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the general fund of the District.

C) Public Entity Risk Pool:

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District 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 and the District has essentially transferred all related risk to the pool.

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 17 – COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

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

General Support	\$228,494
Instruction	164,048
Pupil Transportatin	476
Employee Benefits	13,424
	<u>\$406,442</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, will be immaterial.

C) Litigation:

As of June 30, 2016 we are unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

NOTE 18 – SUBSEQUENT EVENTS:

- A) On July 28, 2016, the District refunded serial bonds in the amount of \$4,010,000 maturing in 2023.

SUPPLEMENTARY INFORMATION

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$46,192,350	\$46,192,350	\$46,245,602	\$53,252
Other real property tax items	6,700,000	6,700,000	6,695,454	(4,546)
Charges for services	525,000	525,000	561,118	36,118
Use of money & property	100,000	100,000	128,941	28,941
Sale of property & compensation for loss			9,787	9,787
Miscellaneous			301,323	301,323
State Sources				
Basic formula	18,000,000	18,000,000	17,043,130	(956,870)
Excess cost aid	4,500,000	4,500,000	5,142,224	642,224
Lottery aid	4,300,000	4,300,000	4,325,000	25,000
BOCES aid	1,100,000	1,100,000	1,190,634	90,634
Textbook aid	200,000	200,000	220,535	20,535
Computer software aid	100,000	100,000	106,230	6,230
Library A/V loan program aid			23,468	23,468
Other state aid			150,490	150,490
Medicaid reimbursement	70,000	70,000	94,741	24,741
TOTAL REVENUES	81,787,350	81,787,350	\$82,238,677	\$451,327
Appropriated fund balance	3,400,000	3,400,000		
Appropriated reserves	101,066	101,066		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	\$85,288,416	\$85,288,416		

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.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
General Support					
Board of education	\$89,517	\$89,517	\$81,658	\$1,380	\$6,479
Central administration	373,662	373,662	370,269	1,494	1,899
Finance	875,762	875,762	775,928	37,732	62,102
Staff	245,500	245,500	230,331		15,169
Central services	5,284,757	5,284,757	4,770,091	187,888	326,778
Special items	877,900	877,900	841,461		36,439
Instructional					
Instruction, adm. & imp.	3,415,244	3,415,244	3,301,236	13,107	100,901
Teaching - regular school	27,894,655	27,894,655	26,840,565	38,999	1,015,091
Programs for children with handicapping conditions	11,794,705	11,794,705	11,335,147	38,166	421,392
Occupational education	910,000	910,000	909,682		318
Instructional media	2,545,024	2,545,024	2,374,118	70,388	100,518
Pupil services	3,224,017	3,224,017	3,097,281	3,388	123,348
Pupil transportation	4,679,446	4,679,446	4,410,215	476	268,755
Employee benefits	19,535,500	19,535,500	17,554,554	13,424	1,967,522
Debt service					
Debt service principal	1,885,473	1,885,473	1,853,551		31,922
Debt service interest	700,254	700,254	700,254		-
TOTAL EXPENDITURES	<u>84,331,416</u>	<u>84,331,416</u>	<u>79,446,341</u>	<u>406,442</u>	<u>4,478,633</u>
Other Financing Uses					
Transfers to other funds	<u>957,000</u>	<u>957,000</u>	<u>956,390</u>		<u>610</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$85,288,416</u>	<u>\$85,288,416</u>	<u>80,402,731</u>	<u>\$406,442</u>	<u>\$4,479,243</u>
Net Change in fund balances			1,835,946		
Fund balances - beginning of year			22,980,570		
Fund balances - end of year			<u>\$24,816,516</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.

Supplemental Schedule #2

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

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Covered Payroll</u>
January 1, 2008	\$0	\$40,073,000	\$40,073,000	0.00%	\$32,227,000	124.0%
July 1, 2010	0	\$47,298,408	\$47,298,408	0.00%	\$36,514,104	129.5%
July 1, 2012	0	\$47,942,121	\$47,942,121	0.00%	\$38,133,196	125.7%
July 1, 2014	0	\$46,360,853	\$46,360,853	0.00%	\$41,768,454	111.0%

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
FOR THE FISCAL YEAR ENDED JUNE 30,***

NYSERS Pension Plan			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0241421%	0.0240227%	0.0240227%
District's proportionate share of the net pension liability (asset)	\$ 3,874,868	\$ 811,545	\$ 1,085,551
District's covered payroll	\$ 6,796,696	\$ 7,052,243	\$ 6,863,539
District's proportionate share of the net pension liability (asset) as a percentage of its covered -employee payroll	57.01%	11.51%	15.82%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.70%	97.95%	97.20%
NYSTRS Pension Plan			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.235568%	0.231630%	0.227682%
District's proportionate share of the net pension liability (asset)	\$(24,468,016)	\$(25,802,134)	\$ (1,498,724)
District's covered payroll	\$ 36,271,893	\$ 34,827,057	\$ 33,934,579
District's proportionate share of the net pension liability (asset) as a percentage of its covered -employee payroll	67.46%	74.09%	4.42%
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.46%	111.48%	100.70%

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

BROOKHAVEN-CONSEVOQUE UNION FREE SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS
 FOR THE FISCAL YEARS ENDED JUNE 30,

	NYSTERS Pension Plan									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 1,127,479	\$ 1,187,324	\$ 1,319,896	\$ 1,313,691	\$ 1,048,684	\$ 809,652	\$ 510,915	\$ 418,128	\$ 502,386	\$ 569,406
Contributions in relation to the contractually required contribution	1,127,479	1,187,324	1,319,896	1,313,691	1,048,684	809,652	510,915	418,128	502,386	569,406
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 7,113,767	\$ 7,081,207	\$ 6,887,924	\$ 6,899,381	\$ 6,720,660	\$ 6,706,424	\$ 6,538,289	\$ 6,261,600	\$ 5,752,305	\$ 5,652,626
Contributions as a percentage of covered employee payroll	15.85%	16.77%	19.16%	19.04%	15.60%	12.07%	7.81%	6.68%	8.73%	10.07%

	NYSTRS Pension Plan									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 4,778,789	\$ 6,203,082	\$ 5,559,995	\$ 3,948,615	\$ 3,822,164	\$ 2,905,859	\$ 2,035,927	\$ 2,421,207	\$ 2,613,863	\$ 2,443,663
Contributions in relation to the contractually required contribution	4,778,789	6,203,082	5,559,995	3,948,615	3,822,164	2,905,859	2,035,927	2,421,207	2,613,863	2,443,663
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 36,832,669	\$ 36,271,893	\$ 34,827,057	\$ 33,934,579	\$ 35,240,426	\$ 34,711,794	\$ 33,761,080	\$ 32,740,683	\$ 30,924,496	\$ 29,818,234
Contributions as a percentage of covered employee payroll	12.94%	17.10%	15.96%	11.64%	10.85%	8.37%	6.03%	7.40%	8.45%	8.20%

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$85,187,350
Add: Prior year's encumbrances	101,066
Original Budget	<u>85,288,416</u>
Budget revisions:	<u>-</u>
Final Budget	<u>\$85,288,416</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 voter approved expenditure budget	<u>\$87,237,217</u>
Maximum allowed (4% of the 2016-2017 budget)	<u>\$3,489,489</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$3,406,442
Unassigned fund balance	<u>3,437,954</u>
Total unrestricted fund balance	6,844,396
Less:	
Appropriated fund balance	3,000,000
Encumbrances included in assigned fund balance	<u>406,442</u>
Total adjustments	<u>3,406,442</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$3,437,954</u>
Actual percentage	3.94%

BROOKHAVEN-CONSEWEGUE UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
JUNE 30, 2016

Project Title	Proj. #	Original Appropriation	Revised Appropriation	Expenditures to Date		Unexpended Balance	Methods of Financing		Fund Balance June 30, 2016
				Prior Year's	Current Year		State Aid	Local Sources	
Non-Admittable Projects-Prior Yrs	NA		\$1,973			\$1,973	\$1,973		\$1,973
Boyle Doors and Drains	0005-012		108,420	\$94,475		13,945	108,420		13,945
D/W Projects-Budget vote 5/21/13	NA	\$376,747	126,747			126,747	126,747		126,747
Norwood Project	0004-012	300,000	362,347	307,543	\$17,144	37,659	362,347		37,659
High School Project-Track and HVAC	0010-018	1,000	789,977	37,254	\$69,712	183,011	789,977		163,011
High School Project-Auditorium	0010-019	500,000	500,000	23,107	23,107	-376,893	500,000		-376,893
Terryville Elem School	0002-017	240,500	240,500	11,460	86,171	142,869	240,500		142,869
Clinton Ave Elem School	0011-010	85,000	85,000		46,062	38,938	85,000		38,938
Installment debt		120,120	-408,665	383,705	24,960	-	-408,665		-
Total		\$1,523,367	\$2,603,629	\$834,438	\$771,156	\$992,035	\$1,894,964	\$	\$2,603,629

**BROOKHAVEN-COMSEWOGUE UNION FREE SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 NET INVESTMENT IN CAPITAL ASSETS
 JUNE 30, 2016**

Capital assets, net		\$23,226,294
Deduct:		
Defeasance gain	\$440,495	440,495
Short-term portion of bonds payable	1,435,000	
Long-term portion of bonds payable	11,815,000	13,250,000
Short-term portion of installment debt payable	6,240	
Long-term portion of installment debt payable	18,720	24,960
Short-term portion of energy performance debt payable	469,461	
Long-term portion of energy performance debt payable	4,066,232	4,535,693
Net investment in capital assets		\$4,975,146



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

To the Board of Education
Brookhaven-Comsewogue Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Brookhaven-Comsewogue Union Free School District, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Brookhaven-Comsewogue Union Free School District's basic financial statements, and have issued our report thereon dated October 6, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

R. S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 6, 2016