

EAST ISLIP UNION FREE SCHOOL DISTRICT

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

June 30, 2017

Page

Independent Auditor's Report

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Management's Discussion and Analysis (MD&A)

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Financial Statements:

Statement of Financial Position

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA

ALAN YU, CPA

INDEPENDENT MEMORANDUM

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective

EAST ISLIP UNION FREE SCHOOL DISTRICT

The East Islip Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial performance for the year ended June 30, 2011.

EAST ISLIP UNION FREE SCHOOL DISTRICT

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EAST ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

B. Fund Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2017	2016	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 25,716,902	\$ 21,487,949	\$ 4,228,953	19.68 %
Capital Assets, Net	62,106,775	65,190,753	(3,083,978)	(4.73)%
Net Pension Assets - Proportionate Share		32,009,960	(32,009,960)	(100.00)%
Total Assets	87,823,677	118,688,662	(30,864,985)	(26.00)%
Deferred Outflows of Resources	24,945,767	18,862,000	6,083,767	32.25 %

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

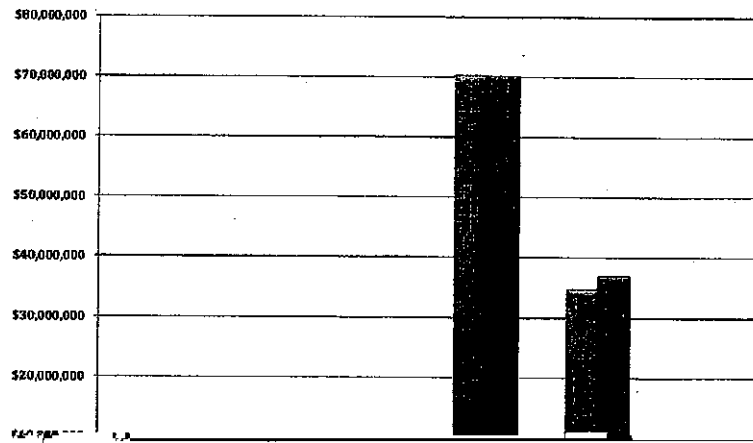
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Deferred outflows of resources is made up of a combination of deferred charges on bond refunding, and contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years. The deferred charges on refunded bonds are

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

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 60.7% and 62.2% for the years 2017 and 2016, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 80.0% and 79.7% of the total for fiscal years 2017 and 2016, respectively).

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



EAST ISLIP UNION FREE SCHOOL DISTRICT

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EAST ISLIP UNION FREE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND FINANCIAL STATEMENTS

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

Plus Designated for Other Government, June 30, 2016

2,249,247

(Continued)

Increase to Restricted Reserves

In 2016-17, the increase to restricted reserves reflects the funding of the capital reserve, replenishment of other reserves amounts used during the year for expenditures, additional funding of the employee

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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

ASSETS

Cash

Unrestricted

\$ 11,788,424

Restricted

8,717,862

Receivables

Accounts receivable

230,734

Due from fiduciary funds

363,745

Due from state and federal

3,600,444

Due from other sources

EAST ISLIP UNION FREE SCHOOL DISTRICT

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

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

Deferred charge from advance refunding is not reported in the Balance Sheet, but is reflected in the Statement of Net Position and amortized over the life of the related debt.

The costs of building and acquiring capital assets (land, buildings, equipment, etc.)

EAST ISLIP UNION FREE SCHOOL DISTRICT

	<u>Private Purpose Trust</u>
ADDITIONS	
Contributions	\$ 12,898
DEDUCTIONS	
Scholarships and awards	<u>10,900</u>
Change in Net Position	1,998
Net Position - Beginning of year	<u>13,067</u>
Net Position - End of Year	<u>\$ 15,065</u>

**EAST ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Islip Union Free School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for

EAST ISLIP UNION FREE SCHOOL DISTRICT

(Continued)

§119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority to increase the BOCES budget.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Debt Service Fund - accounts for the accumulation of resources and the payment of principal and

Capital Projects Fund - is used to account for the financial resources used for acquisition

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

I. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits, and investments.

EAST ISLIP UNION FREE SCHOOL DISTRICT

b.

[REDACTED]

[REDACTED]

District employees may choose to participate in the District's elective deferred compensation plans

[REDACTED]

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

Fund Statements

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

Nonspendable - Consists of amounts that are inherently nonspendable in the current period.

**EAST ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(Continued)

funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual

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

Unassigned - Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overexpenditures available.

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

Level 2 Data

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

Voter approved transfers to capital projects fund	\$ 416,103
Bullet aid	3,000
Instructional materials funded by donations	87,735
Insurance recoveries for equipment and repairs	<u>9,200</u>
 Total	 <u>\$ 516,038</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2017, the District was billed \$6,002,605 for BOCES administration and

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

9. INTERFUND TRANSACTIONS

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

	Receivable	Interfund		Transfers Out
		Payable	Transfers In	
General Fund	\$ 1,845,632	\$ 833,658	\$	\$ 6,504,607
Special Aid Fund	116,809	772,643	329,823	
School Food Service Fund	700			
Debt Service Fund	712,857	709,243	5,700,681	
Capital Projects Fund	716,148	712,857	474,103	
Total Governmental Funds	<u>3,392,146</u>	<u>3,028,401</u>	<u>\$ 6,504,607</u>	<u>\$ 6,504,607</u>
Agency Fund	88,762	467,572		
Private Purpose Trust Fund	15,065			
	<u>103,827</u>	<u>467,572</u>		
Total	<u>\$ 3,495,973</u>	<u>\$ 3,495,973</u>		

10. CAPITAL ASSETS

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

Governmental activities	Balance	Additions	Reductions	Balance
	June 30, 2016			June 30, 2017

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

Depreciation expense was charged to governmental functions as follows:

General support	\$ 440,474
Instruction	2,499,794

EAST ISLIP UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

2018	\$ 520,000	\$ 92,369	\$ 612,369
2019	540,000	71,569	611,569
2020	555,000	55,369	610,369
2021	575,000	38,025	613,025
2022	595,000	19,337	614,337
Total	<u>\$ 2,785,000</u>	<u>\$ 276,669</u>	<u>\$ 3,061,669</u>

EAST ISLIP UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The following is a summary of debt service requirements:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 5,240,000	\$ 1,061,819	\$ 6,301,819
2019	5,475,000	1,061,819	6,536,819

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

14. PENSION PLANS - NEW YORK STATE

A. General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide...

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Deferred Outflows of Resources

Differences between expected and

Changes of assumptions

18,544,496

961,092

(Continued)

	TRS	ERS
Measurement date	June 30, 2016	March 31, 2017
Actuarial valuation date	<u>June 30, 2015</u>	<u>April 1, 2016</u>
Inflation	2.5%	2.5%
Salary increases	1.90-4.72%	3.8%
Investment rate of return (cost of investment)		

NOTES TO FINANCIAL STATEMENTS
(Continued)

Refer to the Pension Plan

(Continued)

C Annual OPEB Cost and Net OPEB Obligation:

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the

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

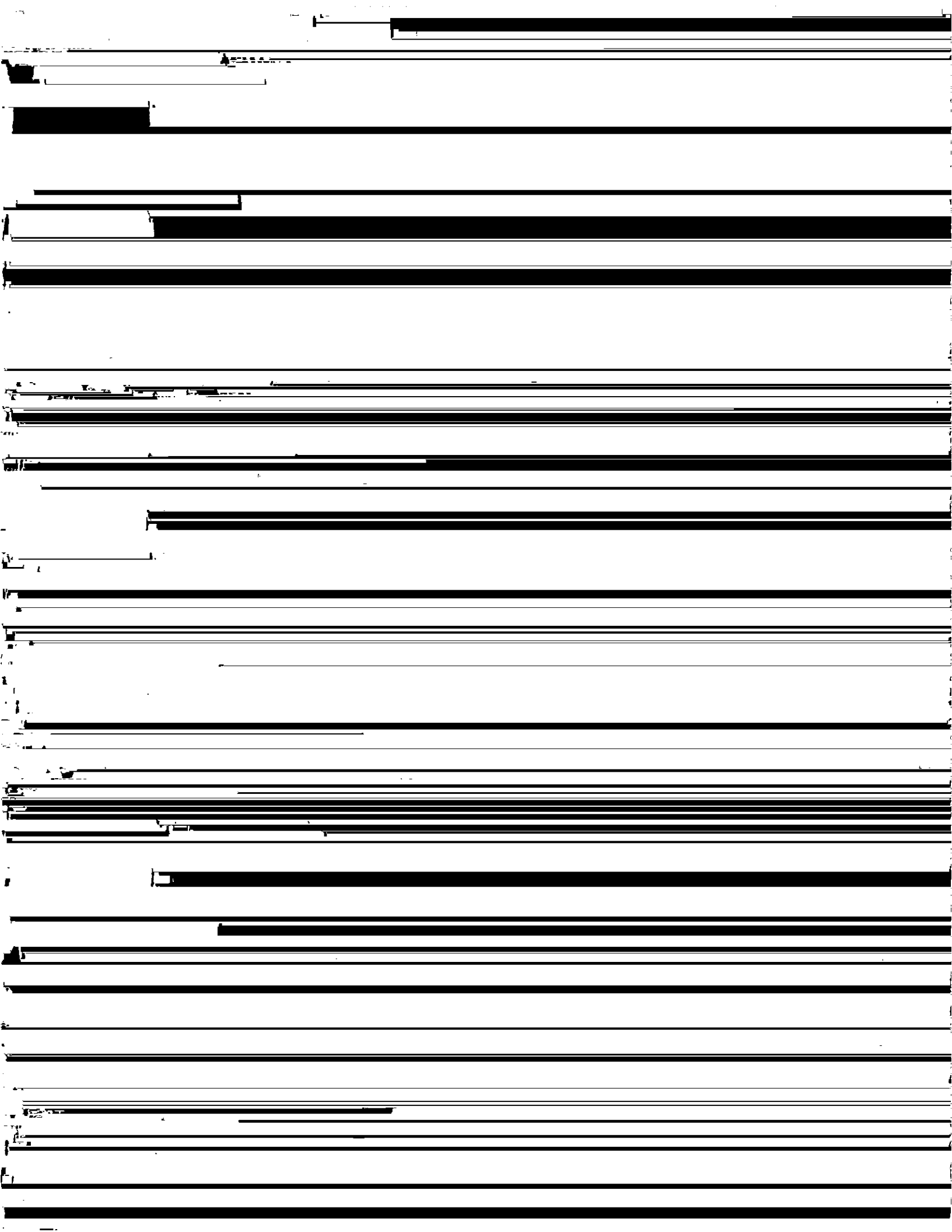
<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 61,250
2019	48,102
2020	<u>40,085</u>

22. SUBSEQUENT EVENT

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

EAST ISLIP UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund

REVENUES	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
Local Sources				
Real property taxes	\$ 61,201,750	\$ 61,359,736	\$ 61,359,736	\$
Other tax items	9,777,391	9,619,405	9,620,152	-



EAST ISLIP UNION FREE SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefits (OPEB)
June 30, 2017

Actuarial	Unfunded Actuarial Accrued	UAAL as a Percentage of
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EAST ISLIP UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
 Last Three Fiscal Years

Teachers' Retirement System

	2017	2016	2015
District's proportion of the net pension asset (liability)	0.303942%	0.3081790%	0.3110940%

District's covered payroll

\$ 10,000,000 \$ 10,000,000

2008
#4 \$ 3,477,989
#4 3,477,989
\$ -
B \$40,343,318
9%

2008
#9 \$ 799,600
#9 799,600
\$ -
3 -- Not Available --
36

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 112,683,147
Additions:	
Prior year's encumbrances	<u>175,202</u>
Original Budget	112,858,349
Budget revisions	<u>516,038</u>
Final Budget	<u>\$ 113,374,387</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget	<u>\$ 115,015,282</u>
Maximum allowed (4% of 2017-18 budget)	<u>\$ 4,600,611</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law	

Unrestricted fund balance:		
Assigned fund balance	\$ 3,392,203	
Unassigned fund balance	<u>2,801,213</u>	
		\$ 6,193,416
Less:		
Appropriated fund balance	1,521,723	
Encumbrances	<u>71,082</u>	
Total adjustments		<u>1,592,805</u>

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EAST ISLIP UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets

Capital assets net

\$ 62,106,875

CULLEN & DANOWSKI, LLP

(1950 - 2013)

JAMES P. DANOWSKI, CPA

JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

INDEPENDENT AUDITORS REPORT

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, the auditor performed the following procedures:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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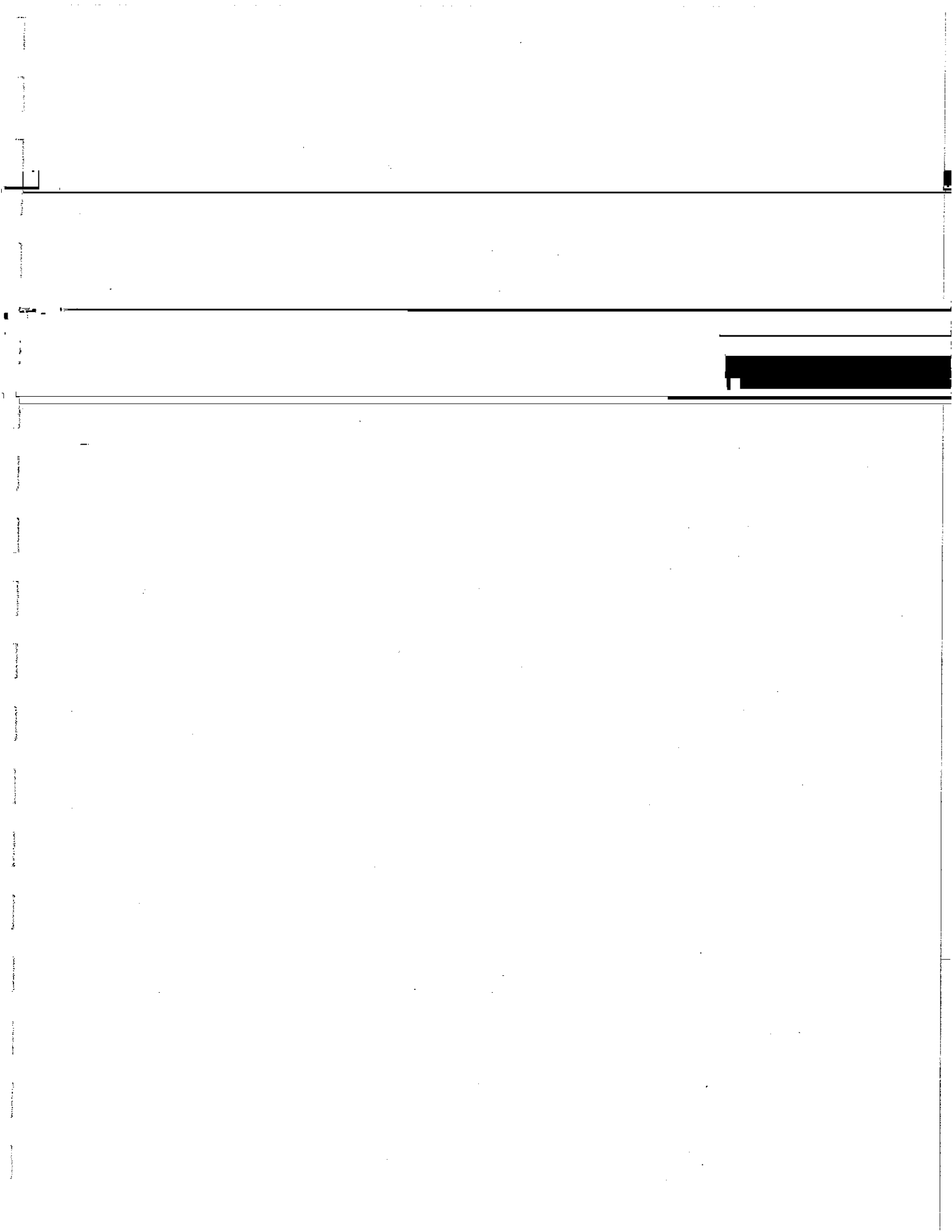
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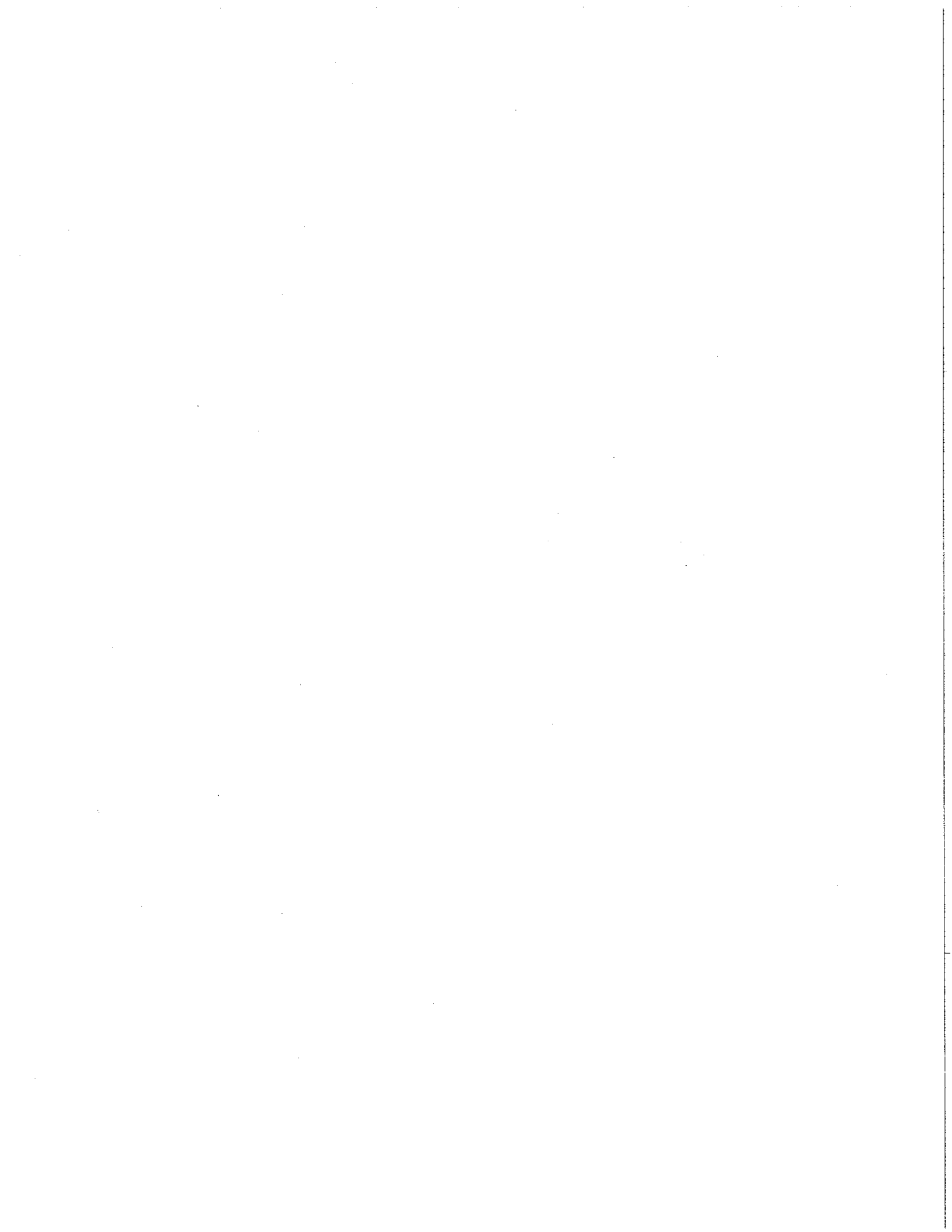
[REDACTED]

[REDACTED]

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[REDACTED]





East Islip Union Free School District
For the Year Ended June 30, 2017

limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we did not express an opinion or provide any assurance on the RSI.

We have not been engaged to report on the schedules of change from adopted budget to final budget and the real property tax limit - general fund -

East Islip Union Free School District
For the Year Ended June 30, 2017

The most sensitive estimates affecting the financial statements were:

- **Useful Life of Capital Assets** - Management's estimate of the useful life of capital assets is based on

[REDACTED]

East Islip Union Free School District
For the Year Ended June 30, 2017

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2017.

Management Representations are included in the Management Representation Letter dated October 5, 2017.

East Islip Union Free School District
For the Year Ended June 30, 2017

- The District will report in the district-wide financial statements the total OPEB actuarial liability instead of the previous amortization method used under GASB 45, resulting in a significant increase in the

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Client: 76510 - East Islip Union Free School District
Period Ending: 6/30/2017
Workpaper: AU-C 260 Adjusting Journal Entries

Account	Description	WIP Ref	Debit	Credit
Adjusting JE #1	To record a reduction of A/P for purchase orders rolled forward that can be closed			

Client: **76510 - East Islip Union Free School District**

Order Ref: _____

Invoice Ref: _____

Account	Description	W/P Ref	Debit	Credit
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