

**QUOGUE  
UNION FREE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

# QUOGUE UNION FREE SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Quogue 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 Quogue Union Free School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Quogue Union Free School District, as of June 30, 2017, 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 14 and 50 through 54, 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.

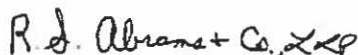
### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Quogue 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 30, 2017 on our consideration of the Quogue 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 Quogue Union Free School District's internal control over financial reporting and compliance.



R.S. Abrams & Co., LLP

Islandia, NY

October 30, 2017



**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The following is a discussion and analysis of the Quogue Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2017. 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 Based Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

**1. FINANCIAL HIGHLIGHTS**

- On May 16, 2017, the proposed 2017-2018 budget in the amount of \$8,059,754 was approved by the District's residents. The property tax levy was below the property tax cap.
- The District continued to invest the majority of its resources in educating the students of Quogue, as evidenced by instructional expenses of 78.12% of total expenses for the 2016-17 fiscal year, on the District-Wide Financial Statements.
- The District continued to offer all programs, without reducing services, while maintaining healthy fund balances.
- On May 16, 2017 the voters of the District approved a capital reserve not to exceed \$5 million.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

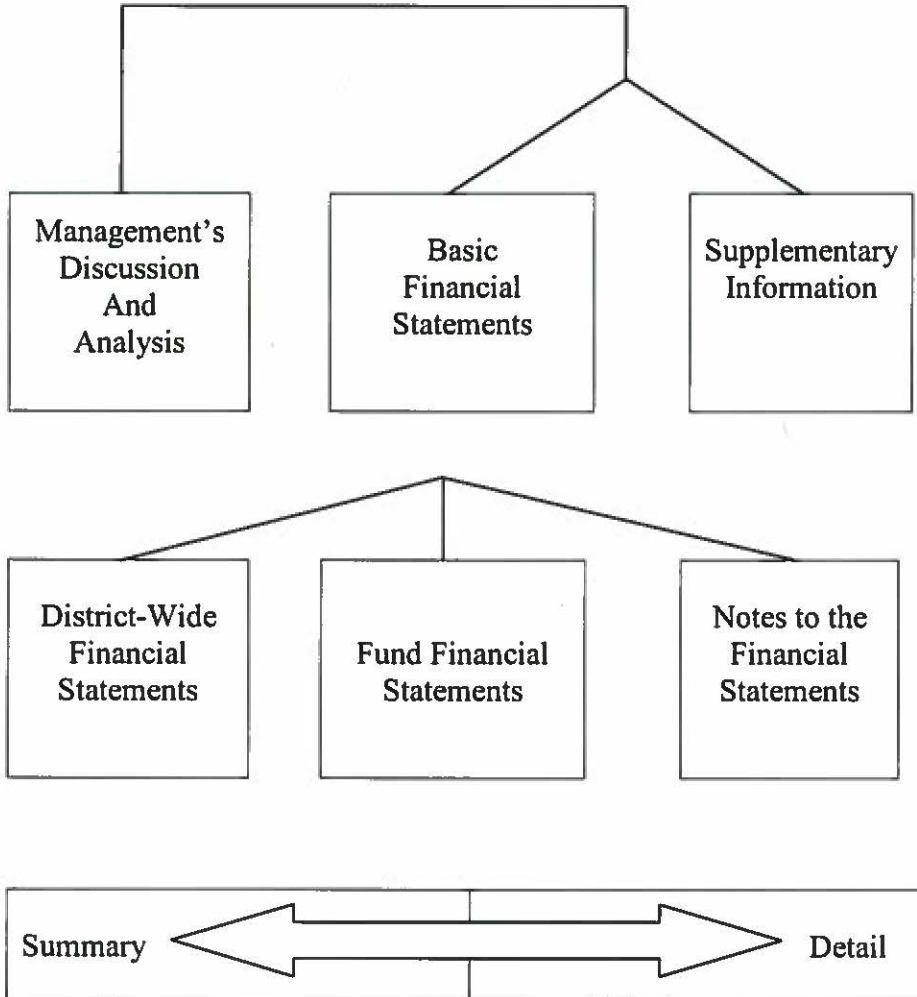
This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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 Financial 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.
  - *Fiduciary Funds Financial 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 relate to one another.

**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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



**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
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

**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**A) District-Wide Financial Statements**

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

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

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

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

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

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



**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**B) Fund Financial Statements**

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

The District has two kinds of funds:

i) Governmental funds

Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information in separate reconciliation schedules explains the relationship (or differences) between them. In summary, the governmental fund statements focus primarily on the sources, uses and balance of current financial resources and often have 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.

ii) Fiduciary funds

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

**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**A) Net Position**

The District's total net position decreased by \$522,992 in the fiscal year ended June 30, 2017 as detailed in Table A-3.

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

	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Total Percentage Change
Current assets	\$ 5,292,795	\$ 5,784,920	\$ (492,125)	-8.51%
Capital assets, net	3,080,247	2,373,931	706,316	29.75%
Net pension asset - proportionate share	-	1,682,089	(1,682,089)	-100.00%
Total assets	<u>8,373,042</u>	<u>9,840,940</u>	<u>(1,467,898)</u>	-14.92%
Deferred outflows of resources	<u>1,828,842</u>	<u>633,020</u>	<u>1,195,822</u>	188.91%
Total assets and deferred outflows of resources	<u>\$ 10,201,884</u>	<u>\$ 10,473,960</u>	<u>\$ (272,076)</u>	-2.60%
Other liabilities	\$ 1,204,438	\$ 969,004	\$ 235,434	24.30%
Long-term liabilities	<u>5,642,820</u>	<u>5,093,417</u>	<u>549,403</u>	10.79%
Total liabilities	<u>6,847,258</u>	<u>6,062,421</u>	<u>784,837</u>	12.95%
Deferred inflows of resources	<u>80,409</u>	<u>614,330</u>	<u>(533,921)</u>	-86.91%
Total liabilities and deferred inflows of resources	<u>6,927,667</u>	<u>6,676,751</u>	<u>250,916</u>	3.76%
Net position				
Net investment in capital assets	3,076,747	2,364,656	712,091	30.11%
Restricted	709,481	761,771	(52,290)	-6.86%
Unrestricted (deficit)	(512,011)	670,782	(1,182,793)	176.33%
Total net position	<u>3,274,217</u>	<u>3,797,209</u>	<u>(522,992)</u>	13.77%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 10,201,884</u>	<u>\$ 10,473,960</u>	<u>\$ (272,076)</u>	-2.60%

Current assets decreased \$492,125 from 2016 to 2017 primarily due to decreases in restricted and unrestricted cash. Capital assets (net of depreciation) increased by \$706,316 primarily due to the construction of assets in the capital projects fund exceeding depreciation. The net pension asset - proportionate share decreased by \$1,682,089 as a result of the actuarial valuation provided by the state. During the prior year the District had a net pension asset for TRS, which became a net pension liability for the current year. Deferred outflows of resources related to the pension plans increased by \$1,195,822, and represents contributions to the retirement plans subsequent to the measurement dates and actuarial determined amounts that will be amortized in future years.

Other liabilities increased by \$235,434. This was primarily attributed to increases in accounts payable and due to other governments. Long-term liabilities increased by \$549,403 primarily due to

**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

increases in other post employment benefits and net pension liability- proportionate share offset by a decrease in claims payable.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$712,091 primarily due to current year capital additions offset by current year depreciation.

The restricted net position in the amount of \$709,481 refers to the District's reserves: workers' compensation, repair, retirement contribution, and employee benefit accrued liability. The decrease of \$52,290 can be attributed to the utilization of the employee benefit accrued liability reserve in the amount of \$54,609 offset by interest allocated to the reserve funds of \$2,319.

The unrestricted net deficit relates to the balance of the District's net position. The deficit of \$512,011 increased by \$1,182,793, primarily due to the increase in the net OPEB liability, which is not permitted to be funded by law.

**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, 2017 and 2016 is as follows:

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

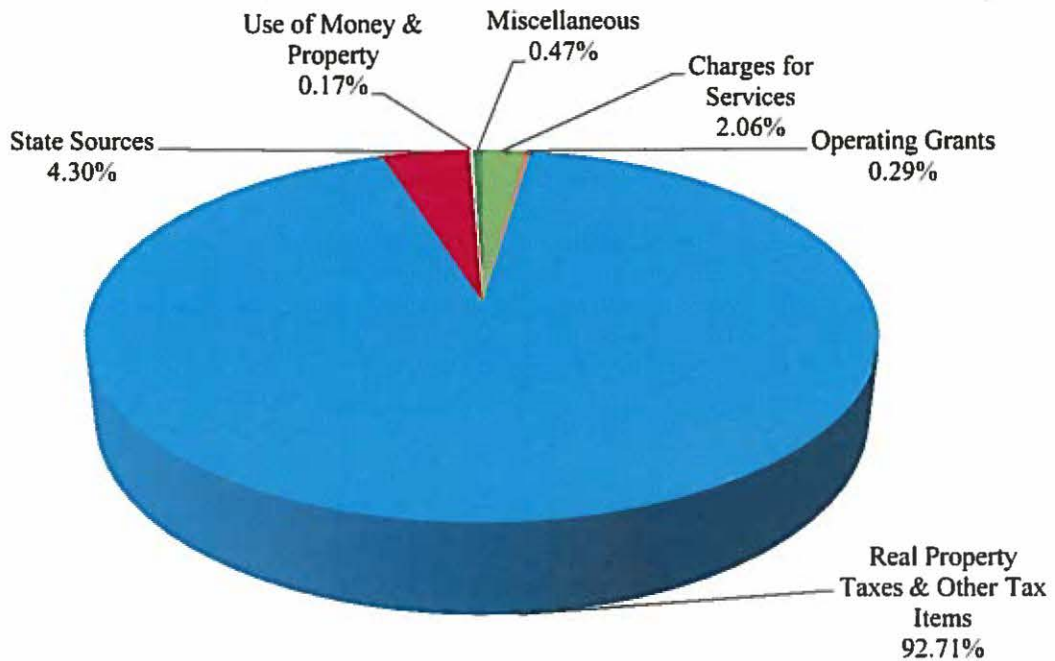
	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Total Percentage Change
<b>Revenues</b>				
<b>Program revenues</b>				
Charges for services	\$ 152,592	\$ 148,342	\$ 4,250	2.87%
Operating grants	21,472	22,570	(1,098)	-4.86%
<b>General revenues</b>				
Real property taxes and other tax items	6,852,240	6,864,071	(11,831)	-0.17%
State sources	317,694	311,766	5,928	1.90%
Use of money and property	12,435	10,135	2,300	22.69%
Miscellaneous	34,546	93,643	(59,097)	-63.11%
Total revenues	<u>7,390,979</u>	<u>7,450,527</u>	<u>(59,548)</u>	-0.80%
<b>Expenses</b>				
General support	1,485,792	1,290,627	195,165	15.12%
Instruction	6,182,740	5,649,827	532,913	9.43%
Pupil transportation	232,394	269,507	(37,113)	-13.77%
Community services	11,397	9,440	1,957	20.73%
Food service program	1,648	2,358	(710)	-30.11%
Total expenses	<u>7,913,971</u>	<u>7,221,759</u>	<u>692,212</u>	9.59%
Increase (decrease) in net position	<u>\$ (522,992)</u>	<u>\$ 228,768</u>	<u>\$ (751,760)</u>	-328.61%

**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The District’s fiscal year 2017 revenues totaled \$7,390,979. (See Table A-4). Real property taxes and other tax items and state sources accounted for most of the District’s revenue by contributing 92.71% and 4.30%, 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 \$7,913,971 for fiscal year 2017. These expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for 81.06% of district expenses. (See Table A-6). The District’s general support activities accounted for 18.77% of total costs.

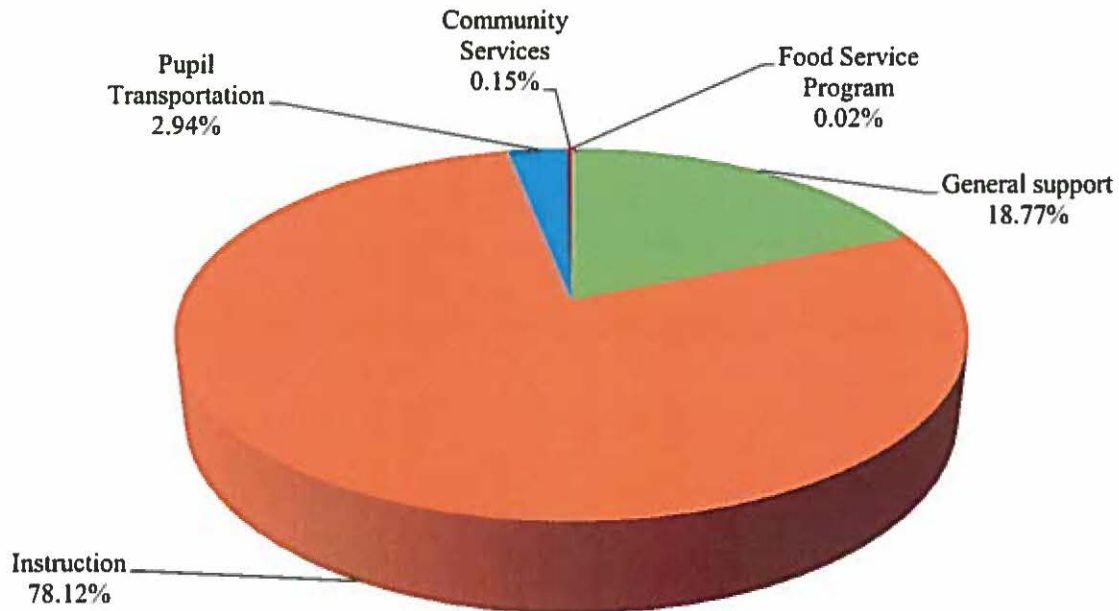
Table A-5: Revenues for Fiscal Year 2017 (See Table A-4)





**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-6: Expenses for Fiscal Year 2017 (See Tables A-4 and A-7)



**C) Governmental Activities**

Revenues for the District's governmental activities totaled \$7,390,979 while total expenses equaled \$7,913,971. The overall decrease in net position for governmental activities of \$522,992 was primarily due to the increase in net OPEB obligation of \$567,675. However, 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;
- Rising property assessed valuations;
- Strategic use of services from the Eastern Suffolk Board of Cooperative Educational Services BOCES;
- Improved curriculum and staff and community support;

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

**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016
General support	\$ 1,485,792	\$ 1,290,627	\$ 1,485,792	\$ 1,290,627
Instruction	6,182,740	5,649,827	6,010,962	5,495,857
Pupil transportation	232,394	269,507	232,394	269,507
Community services	11,397	9,440	11,397	(4,777)
Food service program	1,648	2,358	(638)	(367)
<b>Total</b>	<b>\$ 7,913,971</b>	<b>\$ 7,221,759</b>	<b>\$ 7,739,907</b>	<b>\$ 7,050,847</b>

- The cost of all governmental activities this year was \$7,913,971. (Statement of Activities, Expenses column-see Exhibit 3)
- The users of the District's programs financed \$152,592 of the cost. (Statement of Activities, Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with operating grants of \$21,472. (Statement of Activities, Operating Grants column – see Exhibit 3)
- Most of the District's net costs of \$7,739,907 were financed by the District's taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3)

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

Variations between years for the governmental Fund Financial Statements are not the same as variations 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, 2017, the District's combined governmental funds reported a total fund balance of \$4,088,357 which is a decrease of \$727,559 from the prior year. This decrease is due to the decrease in the capital projects fund from operations of \$828,406 offset by an increase in the general fund from operations of \$99,644.

**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

A summary of the change in fund balance for all funds are as follows:

	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Total Percentage Change
<b>General Fund</b>				
Non-spendable: prepaid expenditures	\$ 88,542	\$ 72,562	\$ 15,980	22.02%
Restricted for workers' compensation	256,668	255,873	795	0.31%
Restricted for repair	20,761	20,743	18	0.09%
Restricted for retirement contribution	309,287	308,330	957	0.31%
Restricted for employee benefit accrued liability	122,765	176,825	(54,060)	-30.57%
Assigned - designated for subsequent year's expenditures	281,033	250,000	31,033	12.41%
Assigned - general support	26,949	17,963	8,986	50.03%
Assigned - instruction	18,708	-	18,708	N/A
Assigned - employee benefits	1,400	-	1,400	N/A
Unassigned	2,959,226	2,883,399	75,827	2.63%
Total fund balance - general fund	<u>4,085,339</u>	<u>3,985,695</u>	<u>99,644</u>	2.50%
<b>School Lunch Fund</b>				
Assigned unappropriated	<u>2,085</u>	<u>882</u>	<u>1,203</u>	136.39%
Total fund balance - school lunch fund	<u>2,085</u>	<u>882</u>	<u>1,203</u>	136.39%
<b>Capital Projects Fund</b>				
Assigned unappropriated	<u>933</u>	<u>829,339</u>	<u>(828,406)</u>	99.89%
Total fund balance-capital projects fund	<u>933</u>	<u>829,339</u>	<u>(828,406)</u>	99.89%
Total fund balance - all funds	<u>\$ 4,088,357</u>	<u>\$ 4,815,916</u>	<u>\$ (727,559)</u>	-15.11%

The increase in the general fund fund balance is due revenues exceeding expenditures and other uses by \$99,644.

The increase in the fund balance of the school lunch fund is the operating profit of the program in the current year.

The decrease in the fund balance for the capital projects fund is due to capital outlay expenditures.

**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A) 2016-2017 Budget**

The District's voter approved general fund adopted budget for the year ended June 30, 2017 was \$7,839,014. This amount was increased by encumbrances carried forward from the prior year in the amount of \$17,936 which resulted in a final budget of \$7,856,977. The majority of the funding was property taxes and STAR revenue of \$6,842,051.

**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	\$ 2,883,399
Revenues over Budget	4,093
Expenditures and Encumbrances Under Budget	541,457
Increase in Nonspendable Fund Balance	(15,980)
Assigned, Appropriated for June 30, 2018 Budget	(281,033)
Interest Allocated to Reserves	(2,319)
Unused, Appropriated Reserves	(170,391)
Closing, Unassigned Fund Balance	<u>\$ 2,959,226</u>

The opening, unassigned fund balance of \$2,883,399 represents the fund balance from June 30, 2016 that was retained.

The revenues over budget of \$4,093 were primarily related to excess cost aid and miscellaneous revenue which were offset by revenues under budget on sale of property and compensation for loss revenue, and basic formula aid. (See Supplemental Schedule # 1 for detail).

The expenditures and encumbrances under budget of \$541,457 were primarily in employee benefits, transfers to other funds, and programs for children with handicapping conditions. (See Supplemental Schedule #1 for detail).

The increase in nonspendable fund balance of \$15,980 relates to prepaid health insurance premiums.

The assigned, appropriated fund balance of \$281,033 for the June 30, 2018 budget is the amount the District has chosen to partially fund its operating budget for 2017-2018.



**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Interest of \$2,319 was allocated to the reserves as follows: \$795 to the workers' compensation reserve, \$18 to the repair reserve, \$957 to the retirement contribution reserve, and \$549 to the employee benefit accrued liability reserve.

The District appropriated \$225,000 of reserves for the 2016-2017 budget to reduce the tax levy. The District utilized \$54,609 of the employee benefit accrued liability reserve for compensated absences during the year. The remaining \$170,391 of appropriated reserves was unused.

The closing, unassigned fund balance of \$2,959,226 represents the fund balance retained by the District that is not restricted or assigned for subsequent years' taxes. This amount is limited to 4% of the 2017-2018 budget. The District's unassigned fund balance exceeds the limit, and represents 36.72% of the 2017-2018 budget. Supplemental Schedule #5 includes the calculation for this limitation.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A) Capital Assets**

The District paid building additions renovations during the fiscal year 2017. A summary of the District's capital assets, net of depreciation, is as follows:

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

Category	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Percentage Change
Land	\$ 155,600	\$ 155,600	\$ -	0.00%
Construction in progress	-	44,795	(44,795)	-100.00%
Buildings & improvements	4,721,413	3,846,622	874,791	22.74%
Site improvement	122,079	122,079	-	0.00%
Furniture, equipment & vehicles	405,657	405,657	-	0.00%
Subtotal	<u>5,404,749</u>	<u>4,574,753</u>	<u>829,996</u>	18.14%
Less: accumulated depreciation	<u>2,324,502</u>	<u>2,200,822</u>	<u>123,680</u>	5.62%
Total net capital assets	<u>\$ 3,080,247</u>	<u>\$ 2,373,931</u>	<u>\$ 706,316</u>	29.75%

The District spent \$829,996 in the capital projects fund during the year on replacing the boiler at Quogue School.

**QUOGUE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**B) Long-Term Debt**

At June 30, 2017 the District had total installment purchase debt for copiers in the amount of \$3,500. The decrease in outstanding debt represents principal payments on installment purchase debt.

A summary of outstanding debt at June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)
Installment purchase debt	\$3,500	\$9,275	(\$5,775)
Total	\$3,500	\$9,275	(\$5,775)

Please refer to Footnote 12 for further detail on long-term debt disclosures.

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

- 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.
- On May 16, 2017 the proposed 2017-2018 budget in the amount of \$8,059,754 was authorized by the District's residents. This is an increase of \$220,740 or 2.82% as compared to the previous year budget.

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

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

Quogue Union Free School District  
Mr. Jeffrey Ryvicker  
Superintendent of Schools  
Edgewood Road  
PO Box 957  
Quogue, New York 11959

**QUOGUE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

<b>ASSETS</b>	
Current assets	
Cash	
Unrestricted	\$4,419,959
Restricted	709,481
Receivables	
State and federal aid	26,470
Due from other governments	47,069
Due from fiduciary fund	21
Accounts receivable	1,253
Prepaid expenditures	88,542
Non-current assets	
Capital assets	
Not being depreciated	155,600
Being depreciated, net of accumulated depreciation	2,924,647
<b>TOTAL ASSETS</b>	<u>8,373,042</u>
 <b>DEFERRED OUTFLOW OF RESOURCES</b>	
Pensions	<u>1,828,842</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<u>\$10,201,884</u>
 <b>LIABILITIES</b>	
Payables	
Accounts payable	\$192,405
Accrued liabilities	2,492
Due to other governments	561,279
Due to teachers' retirement system	343,904
Due to employees' retirement system	20,027
Compensated absences payable	81,073
Unearned credits	
Collections in advance	3,258
Long-term liabilities	
Due and payable within one year	
Installment purchase debt payable	3,500
Due and payable after one year	
Claims payable	79,009
Compensated absences payable	109,839
Net other post employment benefits obligation	5,144,529
Net pension liability - proportionate share	305,943
<b>TOTAL LIABILITIES</b>	<u>6,847,258</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	<u>80,409</u>
 <b>NET POSITION</b>	
Net investment in capital assets	<u>3,076,747</u>
Restricted	
Workers' compensation	256,668
Repair	20,761
Retirement contribution	309,287
Employee benefit accrued liability	122,765
	<u>709,481</u>
Unrestricted (Deficit)	<u>(512,011)</u>
<b>TOTAL NET POSITION</b>	<u>3,274,217</u>
<b>TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES, AND LIABILITIES</b>	<u>\$10,201,884</u>

**QUOGUE UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b>FUNCTIONS / PROGRAMS</b>				
General support	(\$1,485,792)			(\$1,485,792)
Instruction	(6,182,740)	\$151,193	\$20,585	(6,010,962)
Pupil transportation	(232,394)			(232,394)
Community Services	(11,397)			(11,397)
Food service program	(1,648)	1,399	887	638
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>(\$7,913,971)</u>	<u>\$152,592</u>	<u>\$21,472</u>	<u>(7,739,907)</u>
 <b>GENERAL REVENUES</b>				
Real property taxes				6,816,966
Other tax items - including STAR reimbursement				35,274
Use of money & property				12,435
Miscellaneous				34,546
State sources				317,694
<b>TOTAL GENERAL REVENUES</b>				<u>7,216,915</u>
 <b>CHANGE IN NET POSITION</b>				(522,992)
 <b>TOTAL NET POSITION - BEGINNING OF YEAR</b>				<u>3,797,209</u>
 <b>TOTAL NET POSITION - END OF YEAR</b>				<u>\$3,274,217</u>



**QUOGUE UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash					
Unrestricted	\$4,325,165		\$1,766	\$93,028	\$4,419,959
Restricted	709,481				709,481
Receivables					
State and federal aid	10,001	\$16,469			26,470
Due from other governments	47,069				47,069
Due from other funds	12,220		387	1,231	13,838
Accounts receivable	1,253				1,253
Prepaid expenditures	88,542				88,542
<b>TOTAL ASSETS</b>	<u>\$5,193,731</u>	<u>\$16,469</u>	<u>\$2,153</u>	<u>\$94,259</u>	<u>\$5,306,612</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Payables					
Accounts payable	\$96,359	\$2,652	\$68	\$93,326	\$192,405
Accrued liabilities	2,492				2,492
Due to other governments	561,279				561,279
Due to other funds		13,817			13,817
Due to teachers' retirement system	343,904				343,904
Due to employees' retirement system	20,027				20,027
Compensated absences	81,073				81,073
Unearned credits					
Collections in advance	3,258				3,258
<b>TOTAL LIABILITIES</b>	<u>1,108,392</u>	<u>16,469</u>	<u>68</u>	<u>93,326</u>	<u>1,218,255</u>
<b>FUND BALANCES</b>					
Nonspendable: prepaid expenditures	88,542				88,542
Restricted					
Workers' compensation	256,668				256,668
Repair	20,761				20,761
Retirement contribution	309,287				309,287
Employee benefit accrued liability	122,765				122,765
Assigned					
Appropriated fund balance	281,033				281,033
Unappropriated fund balance	47,057		2,085	933	50,075
Unassigned	2,959,226				2,959,226
<b>TOTAL FUND BALANCES</b>	<u>4,085,339</u>	<u>-</u>	<u>2,085</u>	<u>933</u>	<u>4,088,357</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$5,193,731</u>	<u>\$16,469</u>	<u>\$2,153</u>	<u>\$94,259</u>	<u>\$5,306,612</u>

**QUOGUE UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2017**

Total Governmental Fund Balances \$4,088,357

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 include those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$5,404,749	
Accumulated depreciation	<u>(2,324,502)</u>	3,080,247

Deferred inflows of resources - pensions. The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. Deferred inflows related to pensions that will be recognized as revenue in future periods amounted to (80,409)

Deferred outflows of resources - pensions. 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 1,828,842

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:

Installment purchase debt payable	(3,500)	
Claims payable	(79,009)	
Compensated absences payable	(109,839)	
Net other post employment benefits obligation	(5,144,529)	
Net pension liability-proportionate share	<u>(305,943)</u>	<u>(5,642,820)</u>

Total Net Position \$3,274,217

**QUOGUE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Real property taxes	\$6,816,966				\$6,816,966
Other tax items - including STAR reimbursement	35,274				35,274
Charges for services	151,193				151,193
Use of money and property	12,434		\$1		12,435
Miscellaneous	34,546				34,546
State sources	317,694				317,694
Federal sources		\$20,585	887		21,472
Sales			1,399		1,399
<b>TOTAL REVENUES</b>	<u>7,368,107</u>	<u>20,585</u>	<u>2,287</u>	<u>-</u>	<u>7,390,979</u>
<b>EXPENDITURES</b>					
General support	1,028,266				1,028,266
Instruction	4,400,623	20,585			4,421,208
Pupil transportation	222,611				222,611
Community services	6,972				6,972
Employee benefits	1,602,626				1,602,626
Debt service principal	5,775				5,775
Cost of sales			1,084		1,084
Capital outlay				\$829,996	829,996
<b>TOTAL EXPENDITURES</b>	<u>7,266,873</u>	<u>20,585</u>	<u>1,084</u>	<u>829,996</u>	<u>8,118,538</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>101,234</u>	<u>-</u>	<u>1,203</u>	<u>(829,996)</u>	<u>(727,559)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Operating transfers in				1,590	1,590
Operating transfers (out)	(1,590)				(1,590)
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<u>(1,590)</u>	<u>-</u>	<u>-</u>	<u>1,590</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	99,644	-	1,203	(828,406)	(727,559)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>3,985,695</u>	<u>-</u>	<u>882</u>	<u>829,339</u>	<u>4,815,916</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$4,085,339</u>	<u>\$ -</u>	<u>\$2,085</u>	<u>\$933</u>	<u>\$4,088,357</u>

**QUOGUE UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances (\$727,559)

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

Long Term Revenue and Expense Differences

In the Statement of Activities certain operating expenses are measured by amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used.

Decrease in claims payable	79,839	
Increase in compensated absences	(8,871)	
Increase in net other post employment benefits obligation	(567,675)	

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	\$10,816	
Employees' retirement system	<u>(21,633)</u>	(10,817)

Capital Related Items

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	\$829,996	
Depreciation expense	<u>(123,680)</u>	706,316

Long-Term Debt Transactions

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

5,775

Change in Net Position

(\$522,992)



**QUOGUE UNION FREE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash - restricted	\$35,111
<b>TOTAL ASSETS</b>	<b>\$35,111</b>
 <b>LIABILITIES</b>	
Due to governmental funds	\$21
Other liabilities	35,090
<b>TOTAL LIABILITIES</b>	<b>\$35,111</b>

**QUOGUE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit 9

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

The financial statements of Quogue Union Free School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as they apply to governmental units. The Governmental Accounting Standards Board (GASB) prescribes those principles, 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 laws of New York State govern the District. The District is an independent entity governed by an elected Board of Education consisting of five members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The 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 District does not have a component unit in the financial reporting entity.

**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

**QUOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit 9

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 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.



**QUOGUE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit 9

**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 fund:

**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, however the District only utilizes the agency fund.

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

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

The District-Wide and Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include 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 one year after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, net

**QUOGUE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit 9

pension liabilities, and other post-employment benefits obligations which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**E) Real property taxes:**

i) Calendar

Real property taxes are levied annually by the Board of Education no later than October 1, and become a lien on December 1. Taxes are collected by the Town of Southampton during the period December 1, 2016 to June 1, 2017 without penalty.

ii) Enforcement

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

**F) Restricted resources:**

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

**G) Interfund transactions:**

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

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

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.



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**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, deferred outflow of resources, liabilities, and deferred inflows of resources and disclosure of contingent items 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, 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, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

**J) Receivables:**

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

**K) Prepaid items:**

Non-spendable fund balance for these non-liquid assets (prepaid items) has been recognized in the general fund 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 has prepaid items totaling \$88,542 in the general fund for health insurance premiums as of June 30, 2017.

**L) Capital assets:**

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

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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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & improvements	\$ 15,000	Straight-line	50 years
Site improvements	\$ 15,000	Straight-line	20 years
Furniture, equipment & vehicles	\$ 5,000	Straight-line	5-20 years

**M) Collections in advance:**

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. Collections in advance in the general fund consists of amounts received in advance for tuition for the 2017-2018 school year.

**N) Deferred inflows and outflows of resources:**

In addition to liabilities, the Statement of Net Position will sometimes report a section for deferred inflows of resources. 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 \$80,409 of deferred inflows of resources at June 30, 2017. This amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (TRS and ERS), and the effect of the net change in the District's proportion and difference between employer contributions and proportionate share of contributions (TRS and ERS).

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 reported \$1,828,842 of deferred outflows of resources at June 30, 2017. This amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS), the net difference between projected and actual investment earnings on pension plan investments (TRS and ERS), changes of assumptions (TRS and ERS), the effect of the net change in the District's proportion and difference between employer contributions and proportionate share of contributions (TRS and ERS), and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date.

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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/termination 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 Funds Financial Statements only the amount of matured liabilities for those employees that have obligated themselves to separate from service with the District by June 30<sup>th</sup> is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

**P) Other benefits:**

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

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become 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 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 payments). In the District-Wide Financial Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

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**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.

**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, compensated absences, net pension liability, and net post employment benefits obligation that will be paid from governmental funds, are reported as a liability in the Funds Financial Statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year on 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, constructions or improvements of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, gain on refunding).



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

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

ii) Fund Financial Statements:

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

- (1) **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 prepaid items recorded in the general fund of \$88,542.
- (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.

The District has classified the following as restricted:

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.

Repair Reserve

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



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to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

**Retirement Contribution Reserve:**

Retirement contribution reserve (GML §6-r) is used for the purpose of 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.

**Employee Benefit Accrued Liability Reserve:**

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

**Capital Reserve**

Capital reserve (Education Law §3651) must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education law. This reserve was established by voters on May 16, 2017, and has not yet been funded. It is accounted for in the general fund under restricted fund balance.

- (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, 2017.
- (4) **Assigned fund balance** – includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. The District has established a Fund Balance policy that allows the Board of Education to set forth the fund balance that is assigned. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

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- (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. Non-spendable 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. The current closing unassigned fund balance represents 36.72% of the 2017-2018 budget.

**Order of Use of Fund Balance:**

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned.

**T) Changes in accounting principles:**

The District has adopted and implemented the following current Statement of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2017: Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. 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.

**U) 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.

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

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evaluate the impact 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.

**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 Statement of Activities fall into one of 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 Financial 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 Financial Statements, whereas interest payments are recorded in the Statement of Activities as incurred, and



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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.

**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 for the year ending June 30, 2017.

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

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

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assigned fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

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

**A) Cash:**

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

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

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

All of the District's aggregate bank balances were covered by depository insurance or collateralized with securities held by the pledging financial institution in the District's name 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, 2017 included \$709,481 within the governmental funds for general reserve purposes, and \$35,111 within the fiduciary fund.

**Investments:**

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



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**NOTE 5 – PARTICIPATION IN BOCES:**

During the year ended June 30, 2017, the District was billed \$189,769 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$27,069. Financial statements for the BOCES are available from the BOCES administrative office at Eastern Suffolk Board of Cooperative Educational Services James Hines Administration Center 201 Sunrise Highway Patchogue, NY 11772.

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

State and federal aid receivable at June 30, 2017 consisted of the following:

General Fund	
Excess cost aid	\$ 10,001
Special Aid Fund	
Federal aid receivable	16,469
Total State and federal aid receivable	\$ 26,470

District management has deemed these amounts to be fully collectible.

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

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

General Fund	
BOCES aid	\$ 27,069
Due from library	20,000
Total general fund	\$ 47,069

District management has deemed these amounts to be fully collectible.

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**NOTE 8 - CAPITAL ASSETS:**

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

	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
<b>Governmental activities:</b>				
Capital assets that are not depreciated:				
Land	\$ 155,600	\$ -	\$ -	\$ 155,600
Construction in progress	44,795		(44,795)	-
Total capital assets that are not depreciated	200,395	-	(44,795)	155,600
Capital assets that are depreciated:				
Buildings & improvements	3,846,622	829,996	44,795	4,721,413
Site improvements	122,079			122,079
Furniture, equipment & vehicles	405,657			405,657
Total capital assets that are depreciated	4,374,358	829,996	44,795	5,249,149
Less accumulated depreciation:				
Buildings & improvements	1,924,424	67,548		1,991,972
Site improvements	82,743	2,504		85,247
Furniture, equipment & vehicles	193,655	53,628		247,283
Total accumulated depreciation	2,200,822	123,680	-	2,324,502
Total capital assets being depreciated, net	2,173,536	706,316	44,795	2,924,647
Total capital assets, net	\$ 2,373,931	\$ 706,316	\$ -	\$ 3,080,247

Depreciation expense was charged to governmental functions as follows:

General support	\$ 69,419
Instruction	53,697
Food service program	564
Total depreciation expense	\$ 123,680

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**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	\$ 12,220			\$ 1,590
Special aid fund		\$ 13,817		
School lunch fund	387			
Capital projects fund	1,231		1,590	
Total government activities	<u>13,838</u>	<u>13,817</u>	<u>1,590</u>	<u>1,590</u>
Fiduciary agency fund		21		
Totals	<u>\$ 13,838</u>	<u>\$ 13,838</u>	<u>\$ 1,590</u>	<u>\$ 1,590</u>

The District transferred from the general fund to the capital projects fund to finance a repair of the heating system at Quogue School.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. It is expected that all interfund payables should be repaid within one year.

**NOTE 10 – COLLECTIONS IN ADVANCE:**

Collections in advance on the governmental funds balance sheet at June 30, 2017 consisted of:

General fund	
Tuition	<u>\$ 3,258</u>
Total Collections in Advance	<u>\$ 3,258</u>

**NOTE 11 – DUE TO OTHER GOVERNMENTS:**

Due to other governments at June 30, 2017 consisted of the following:

General fund	
Library	\$ 425,837
State aid overpayment	1,621
BOCES	12,412
Westhampton Beach UFSD	121,409
Total Due to other governments	<u>\$ 561,279</u>

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**NOTE 12 – LONG-TERM LIABILITIES:**

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt:					
Installment purchase debt payable	\$ 9,275	\$ -	\$ 5,775	\$ 3,500	\$ 3,500
Other long-term liabilities:					
Claims payable	158,848	(39,279)	40,560	79,009	
Compensated absences payable	100,968	89,944	81,073	109,839	
Net other postemployment benefits obligation	4,576,854	871,687	304,012	5,144,529	
Net pension liability-proportionate share	247,472	438,642	380,171	305,943	
Total long-term liabilities	<u>\$ 5,093,417</u>	<u>\$ 1,360,994</u>	<u>\$ 811,591</u>	<u>\$ 5,642,820</u>	<u>\$ 3,500</u>

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

**A) Installment Debt**

Installment debt is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Advanced Imaging System	2012	2018	N/A	\$497
Advanced Imaging System	2015	2018	N/A	3,003
				<u>\$3,500</u>

The following is a summary of the maturing debt service requirements of installment purchase debt:

<u>June 30,</u>	<u>Principal</u>	<u>Total</u>
2018	<u>\$ 3,500</u>	<u>\$ 3,500</u>
	<u>\$ 3,500</u>	<u>\$ 3,500</u>

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**NOTE 13 – PENSION PLANS:**

**A) Plan description and benefits provided:**

**i) Teachers' Retirement System**

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

**ii) Employees' Retirement System**

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



**QUOGUE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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
2017	\$ 69,837	\$ 318,604
2016	\$ 82,210	\$ 308,816
2015	\$ 86,824	\$ 426,440

**QUOGUE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit 9

**C) Pension assets, liabilities, pension expense, and deferred outflows and inflows of resources related to pensions:**

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Net pension liability	\$ 144,296	\$ 161,647
District's portion of the Plan's total net pension liability	0.0015357%	0.015093%
Change in proportion since prior measurement date	(0.0000062%)	(0.001101%)

For the year ended June 30, 2017, the District recognized pension expense of \$91,470 for ERS and a pension expense of \$281,444 for TRS. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred 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	\$ 3,616	\$ -	\$ 21,912	\$ 52,512
Net difference between projected and actual earnings on pension plan investments	28,822	363,468		
Changes of assumptions	49,297	920,846		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	26,072	98,090	201	5,784
District's contributions subsequent to the measurement date	20,027	318,604		
	\$ 127,834	\$ 1,701,008	\$ 22,113	\$ 58,296

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

**QUOGUE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit 9

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:		
2017		\$ 126,493
2018	\$ 36,127	126,493
2019	36,127	408,772
2020	30,725	320,947
2021	(17,285)	154,809
Thereafter		186,594
	<u>\$ 85,694</u>	<u>\$ 1,324,108</u>

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.00%	7.50%
Salary scale	3.80%	1.90%-4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%

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 plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.



**QUOGUE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit 9

For TRS, the actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

<u>Valuation Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>April 1, 2016</u>		<u>June 30, 2015</u>	
<u>Asset type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36%	4.55%	37%	6.1%
International equity	14%	6.35%	18%	7.3%
Private equity	10%	7.75%	7%	9.2%
Real estate	10%	5.80%	10%	5.4%
Absolute return strategies	2%	4.00%		
Opportunistic portfolio	3%	5.89%		
Real assets	3%	5.54%		
Bonds and mortgages	17%	1.31%		
Cash	1%	-0.25%		
Inflation-indexed bonds	4%	1.50%		
Domestic fixed income securities			17%	1.0%
Global fixed income securities			2%	0.8%
Mortgages			8%	3.1%
Short-term			1%	0.1%
	<u>100%</u>		<u>100%</u>	

**Discount Rate**

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% 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.

**QUOGUE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit 9

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 7.5% 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 6.5% for TRS) or 1-percentagepoint higher (8.0% for ERS and 8.5% for TRS) than the current rate:

ERS	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
District's proportionate share of the net pension asset (liability)	(\$460,853)	(\$144,296)	\$123,352
TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension asset (liability)	(\$2,109,055)	(\$161,647)	\$1,471,737

Pension Plan Fiduciary Net Position

The components of the current-year net pension 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, 2016	June 30, 2015
Employers' total pension liability	\$ (177,400,586)	\$ (108,577,184)
Plan fiduciary net position	168,004,363	107,506,142
Employers' net pension liability	\$ (9,396,223)	\$ (1,071,042)
Ratio of plan fiduciary net position to the employers' total pension liability	94.70%	99.01%



**QUOGUE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit 9

**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$20,027.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$343,904.

**NOTE 14 – OTHER RETIREMENT PLANS:**

**A) Tax Sheltered Annuities:**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2017, totaled \$54,926 and \$157,633 respectively.

**NOTE 15 – POST-EMPLOYMENT BENEFITS:**

**A) Plan Description:**

The District provides post-employment health insurance coverage to retired employees, their spouses and their covered dependents in accordance with the provisions of various employment contracts. Benefits are provided through the East End Health Plan (the "Plan") which is a cost-sharing multiple-employer healthcare plan. Benefits are provided through United Health Care (as administered by East End Health Plan).

**B) Funding Policy:**

The contribution requirements of Plan members and the District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017, the District contributed an estimated \$304,012 to the Plan, including an estimated \$304,012 for current premiums and \$0 to prefund benefits.

**QUOGUE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit 9

**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's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 1,007,238
Interest on net OPEB obligation	183,074
Adjustment to annual required contribution	<u>(318,625)</u>
Annual OPEB cost (expense)	871,687
Contributions made	<u>(304,012)</u>
Increase in net OPEB obligation	567,675
Net OPEB obligation-beginning of year	<u>4,576,854</u>
Net OPEB obligation-end of year	<u><u>\$ 5,144,529</u></u>

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

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/15	\$1,007,238	\$717,392	\$208,112	29.01%	\$3,909,195
6/30/16	\$1,007,238	\$899,683	\$232,024	25.79%	\$4,576,854
6/30/17	\$1,007,238	\$871,687	\$304,012	34.88%	\$5,144,529

**D) Funded Status and Funding Progress:**

As of June 30, 2015, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was \$9,242,054, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,242,054. The covered payroll (annual payroll of active employees covered by the plan) was \$2,241,339, and the ratio of the UAAL to the covered payroll was 412.3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts



**QUOGUE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit 9

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 presented as required supplementary information 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.

**D) Actuarial Methods and Assumptions:**

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

In the June 30, 2015 actuarial valuation prepared an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions include a discount rate of 4% and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5.0 % after 6 years. The UAAL is being amortized using the level dollar amortization method over a period of 20.5 years.

**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 three years.

**B) Risk Retention:**

The District participated in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District property and liability insurance coverage through June 30, 2017. 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.

The District participates in the East End Workers' Compensation Consortium, a risk-retained pool, to insure workers' compensation claims. This is a public entity risk pool created under Article 5 of the workers' compensation law, to finance liability and risks related to workers' compensation claims. The District's share of the total undiscounted liability for incurred but unpaid claims and incurred but not reported claims is \$79,009.

**QUOGUE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Exhibit 9

The following are the details of the amounts paid from this fund:

	2017	2016
Unpaid claims at beginning of year	\$ 158,848	\$ 168,851
Incurring claims and claim adjustment expenses	(39,279)	60,889
Claims payments	(40,560)	(70,892)
Unpaid claims at year end	\$ 79,009	\$ 158,848

**NOTE 17 – COMMITMENTS AND CONTINGENCIES:**

**A) Encumbered:**

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

General Fund		
General Support	\$	26,949
Instructional		18,708
Employee benefits		1,400
	\$	47,057

**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, 2017 we are unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

**NOTE 18 – SUBSEQUENT EVENTS:**

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the District through the date of this report and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.



**SUPPLEMENTARY INFORMATION**

**QUOGUE UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUES</b>				
Local sources				
Real property taxes	\$6,842,051	\$6,816,704	\$6,816,966	\$262
Other real property tax items	-	25,347	35,274	9,927
Charges for services	135,000	135,000	151,193	16,193
Use of money & property	750	750	12,434	11,684
Sale of property & compensation for loss	68,500	68,500	-	(68,500)
Miscellaneous	-	-	34,546	34,546
State sources				
Basic formula	250,088	250,088	201,690	(48,398)
Excess cost aid	-	-	66,674	66,674
Lottery aid	-	-	11,766	11,766
BOCES aid	32,536	32,536	27,069	(5,467)
Textbook aid	14,623	14,623	8,563	(6,060)
Computer software aid	-	-	1,364	1,364
Library A/V loan program aid	-	-	568	568
Other state aid	20,466	20,466	-	(20,466)
<b>TOTAL REVENUES</b>	<b>7,364,014</b>	<b>7,364,014</b>	<b>7,368,107</b>	<b>\$4,093</b>
Appropriated fund balance	250,000	250,000		
Appropriated reserves	242,963	242,963		
<b>TOTAL REVENUES, OTHER SOURCES &amp; APPROPRIATED FUND BALANCE &amp; RESERVES</b>	<b>\$7,856,977</b>	<b>\$7,856,977</b>		

**Note to Required Supplementary Information**

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent

QUOGUE UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
<b>EXPENDITURES</b>					
General support					
Board of education	\$72,175	\$78,863	\$68,250		\$10,613
Central administration	262,039	253,462	248,038	\$1,200	4,224
Finance	163,475	196,012	166,964	20,100	8,948
Staff	10,750	34,550	32,606		1,944
Central services	421,438	425,450	392,841	5,649	26,960
Special items	120,500	123,199	119,567		3,632
Instructional					
Instruction, adm. & imp.	56,600	63,507	45,751	604	17,152
Teaching - regular school	3,004,150	2,813,758	2,770,835	12,404	30,519
Programs for children with handicapping conditions	1,082,250	1,256,151	1,178,884		77,267
Occupational education	-	15,209	13,079		2,130
Teaching special schools	-	7,257	7,211		46
Instructional media	301,200	290,914	273,642	5,700	11,572
Pupil services	98,000	114,939	111,221		3,718
Pupil transportation	299,900	252,180	222,611		29,569
Community services	-	8,393	6,972		1,421
Employee benefits	1,814,500	1,766,966	1,602,626	1,400	162,940
Debt service					
Debt service principal	-	6,167	5,775		392
<b>TOTAL EXPENDITURES</b>	<u>7,706,977</u>	<u>7,706,977</u>	<u>7,266,873</u>	<u>47,057</u>	<u>393,047</u>
Other financing uses					
Transfers to other funds	150,000	150,000	1,590		148,410
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<u>\$7,856,977</u>	<u>\$7,856,977</u>	<u>7,268,463</u>	<u>\$47,057</u>	<u>\$541,457</u>
<b>NET CHANGE IN FUND BALANCES</b>			99,644		
<b>FUND BALANCES - BEGINNING OF YEAR</b>			3,985,695		
<b>FUND BALANCES - END OF YEAR</b>			<u>\$4,085,339</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.

**QUOGUE UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
JUNE 30, 2017**

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
June 30, 2015	\$0	\$9,242,054	\$9,242,054	0%	\$2,241,339	412.3%
December 31, 2012	\$0	\$7,244,776	\$7,244,776	0%	\$2,790,107	259.7%
December 31, 2010	\$0	\$8,657,511	\$8,657,511	0%	\$2,670,349	324.2%



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

<b>NYSERS Pension Plan</b>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension (liability)	0.0015357%	0.0015419%	0.0015019%	0.0015019%
District's proportionate share of the net pension (liability)	(\$144,296)	(\$247,472)	(\$50,736)	(\$67,867)
District's covered payroll	\$463,042	\$495,653	\$483,390	\$442,389
District's proportionate share of the net pension (liability) as a percentage of its covered -employee payroll	31.16%	49.93%	10.50%	15.34%
Plan fiduciary net position as a percentage of the total pension (liability)	94.70%	90.68%	97.95%	97.20%
<b>NYSTRS Pension Plan</b>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension (liability) / asset	0.015093%	0.016194%	0.017409%	0.016131%
District's proportionate share of the net pension (liability) / asset	(\$161,647)	\$1,682,089	\$1,939,247	\$106,181
District's covered payroll	\$2,487,609	\$2,404,095	\$2,588,477	\$2,372,323
District's proportionate share of the net pension (liability) / asset as a percentage of its covered -employee payroll	6.50%	69.97%	74.92%	4.48%
Plan fiduciary net position as a percentage of the total pension asset	99.01%	110.46%	111.48%	100.70%

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

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

**NYSERS Pension Plan**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 69,837	\$ 82,210	\$ 86,824	\$ 79,269	\$ 71,379	\$ 61,924	\$ 50,421	\$ 25,260	\$ 36,058	\$ 27,170
Contributions in relation to the contractually required contribution	<u>69,837</u>	<u>82,210</u>	<u>86,824</u>	<u>79,269</u>	<u>71,379</u>	<u>61,924</u>	<u>50,421</u>	<u>25,260</u>	<u>36,058</u>	<u>27,170</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 458,262	\$ 498,793	\$ 490,056	\$ 456,763	\$ 425,459	\$ 417,174	\$ 404,026	\$ 371,442	\$ 378,732	\$ 360,591
Contributions as a percentage of covered employee payroll	15.24%	16.48%	17.72%	17.35%	16.78%	14.84%	12.48%	6.80%	9.52%	7.53%

**NYSTRS Pension Plan**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 318,604	\$ 308,816	\$ 426,440	\$ 417,880	\$ 279,757	\$ 272,068	\$ 195,582	\$ 141,615	\$ 169,478	\$ 189,456
Contributions in relation to the contractually required contribution	<u>318,604</u>	<u>308,816</u>	<u>426,440</u>	<u>417,880</u>	<u>279,757</u>	<u>272,068</u>	<u>195,582</u>	<u>141,615</u>	<u>169,478</u>	<u>189,456</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,603,953	\$ 2,487,609	\$ 2,404,095	\$ 2,588,477	\$ 2,372,323	\$ 2,485,304	\$ 2,277,544	\$ 2,338,867	\$ 2,287,695	\$ 2,182,096
Contributions as a percentage of covered employee payroll	12.24%	12.41%	17.74%	16.14%	11.79%	10.95%	8.59%	6.05%	7.41%	8.68%

**QUOGUE 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, 2017**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted budget	\$7,839,014
Add: prior year's encumbrances	17,963
Original budget	<u>7,856,977</u>
Budget revision:	<u>-</u>
Final budget	<u><u>\$7,856,977</u></u>

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

2017 - 2018 voter-approved expenditure budget	<u><u>\$8,059,754</u></u>
Maximum allowed (4% of 2017-18 budget)	<u><u>\$322,390</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$328,090
Unassigned fund balance	<u>2,959,226</u>
Total unrestricted fund balance	\$3,287,316
Less:	
Appropriated fund balance	\$281,033
Encumbrances included in assigned fund balance	<u>47,057</u>
Total adjustments	<u>328,090</u>
	<u><u>\$2,959,226</u></u>
Actual percentage	<u><u>36.72%</u></u>

**QUOGUE UNION FREE SCHOOL DISTRICT**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND**  
**JUNE 30, 2017**

Project Title	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2017
			Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
District Wide Renovations	\$ 135,000	\$ 414,256	\$ 413,323	\$ -	\$ 413,323	\$ 933	\$ -	\$ -	\$ 414,256	\$ 414,256	\$ 933
Boiler Project	873,202	874,791	44,795	829,996	874,791	-	-	-	874,791	874,791	-
<b>Total</b>	<b>\$ 1,008,202</b>	<b>\$ 1,289,047</b>	<b>\$ 458,118</b>	<b>\$ 829,996</b>	<b>\$ 1,288,114</b>	<b>\$ 933</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,289,047</b>	<b>\$ 1,289,047</b>	<b>\$ 933</b>



QUOGUE UNION FREE SCHOOL DISTRICT  
 SUPPLEMENTARY INFORMATION  
 NET INVESTMENT IN CAPITAL ASSETS  
 JUNE 30, 2017

Capital assets, net		\$3,080,247
<b>Deduct:</b>		
Short-term portion of installment purchase debt payable	\$3,500	
Long-term portion of installment purchase debt payable	<u>-</u>	<u>3,500</u>
<b>Net investment in capital assets</b>		<u><u>\$3,076,747</u></u>

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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  
Quogue 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 Quogue Union Free School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Quogue Union Free School District's basic financial statements, and have issued our report thereon dated October 30, 2017.

**Internal Control over Financial Reporting**

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

## **Purpose of this Report**

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

*R.S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
October 30, 2017