

**BEDFORD CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

BEDFORD CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Bedford Central School District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of Bedford Central School District, as of and for the fiscal year ended June 30, 2014, 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 of 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 funds of Bedford Central School District, as of June 30, 2014, 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, and schedule of funding progress on pages 1 through 15 and 53 through 55, 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 Boards, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Bedford Central 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 financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014 on our consideration of Bedford Central 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 Bedford Central School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 7, 2014

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following is a discussion and analysis of the Bedford Central School District's (the "District") financial performance for the fiscal year ended June 30, 2014. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- On the District-Wide Financial Statements, revenues increased by 3.12% primarily as a result of the net effect of an increase in property taxes and state sources offset by decreases in charges for services.
- On the District-Wide Financial Statements, expenditures increased by 1.69% primarily as a result of an increase in instruction and general support due to increased costs of employee benefits and capital project costs for newly approved BOCES and District capital projects.
- On the Government Funds Financial Statement total fund balance decreased by 25.73% or \$4.1 million primarily due to general fund operating expenses exceeding revenues by \$1.9 million, capital project costs exceeding revenue sources by \$2.4 million, offset by food service revenues exceeding expenditures by \$.2 million. The capital fund will realize revenue sources when projects are bonded in the future.
- The District's net position decreased by \$13.1 million primarily due to the \$12.4 million increase in Other Post Employment Benefits (OPEB), the use of fund balance to fund current year operating expenses, offset by a \$4.6 million reduction in long-term debt.
- On May 13, 2014, the District's residents authorized the proposed 2014-2015 budget in the amount of \$126,500,000.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

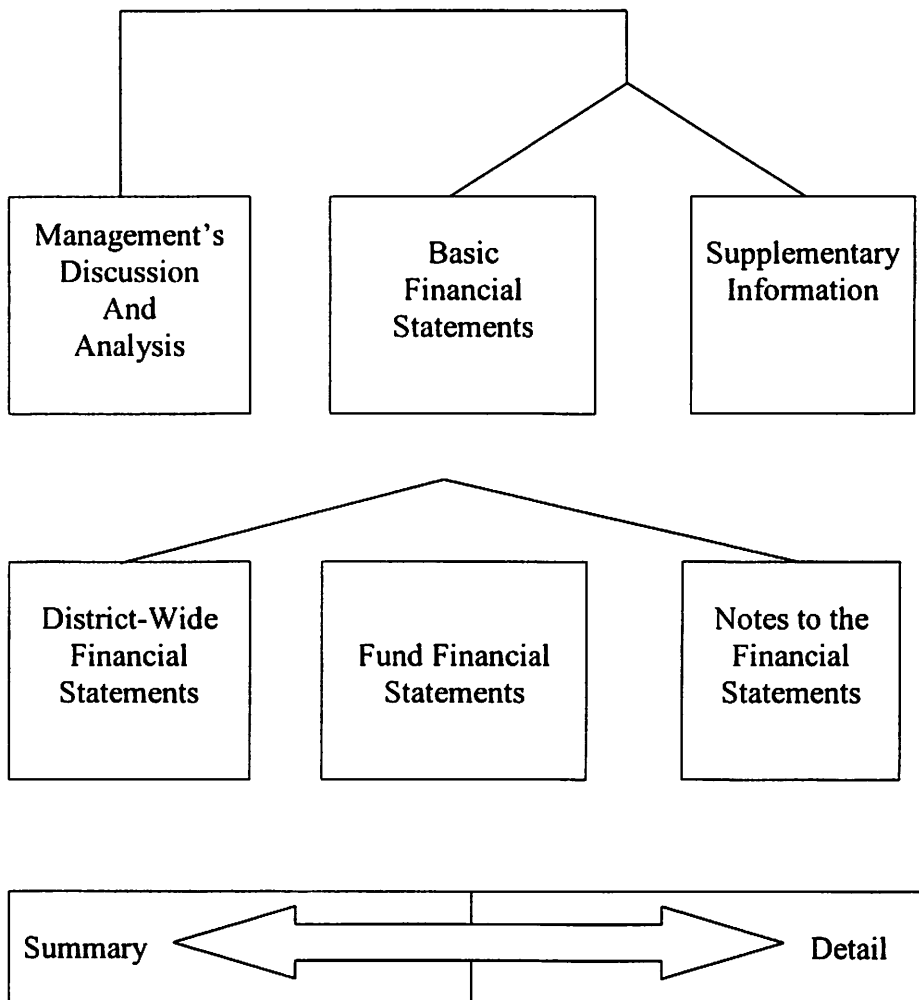
- The first two statements, Exhibits 2 and 3 are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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



**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A) District-Wide 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, 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 it has changed. The net position, the difference between the total assets and total liabilities and deferred inflows of resources, are one way to measure the financial health or position of the District.

- Over time, increases and decreases in the 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.

The Net position of the governmental activities differs 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 at the bottom of the Governmental Fund Financial Statements explains the relationship (or differences) between them. In summary, the Governmental Funds Statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special revenue funds, debt service fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance.

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.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's total net position decreased by \$13,110,712 in the fiscal year ended June 30, 2014 as detailed in Table A-3.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

	Fiscal Year 2014	Fiscal Year 2013	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets	\$24,957,974	\$26,346,609	(\$1,388,635)	-5.27%
Capital assets, net	103,957,965	105,051,422	(\$1,093,457)	-1.04%
Total assets	<u>\$128,915,939</u>	<u>\$131,398,031</u>	<u>(\$2,482,092)</u>	-1.89%
Other liabilities	13,405,319	10,712,935	\$2,692,384	25.13%
Long-term liabilities	131,441,875	123,616,271	7,825,604	6.33%
Deferred inflows of resources	612,923	502,291	110,632	22.03%
Total liabilities and deferred inflows of resources	<u>145,460,117</u>	<u>134,831,497</u>	<u>10,628,620</u>	7.88%
Net investment in capital assets	49,993,945	46,655,019	3,338,926	7.16%
Restricted	3,962,449	4,740,385	(777,936)	-16.41%
Unrestricted (deficit)	<u>(70,500,572)</u>	<u>(54,828,870)</u>	<u>(15,671,702)</u>	28.58%
Total net position (deficit)	<u>(16,544,178)</u>	<u>(3,433,466)</u>	<u>(13,110,712)</u>	381.85%
Total liabilities, deferred inflows of resources and net position	<u>\$128,915,939</u>	<u>\$131,398,031</u>	<u>(\$2,482,092)</u>	-1.89%

Certain reclassifications have been made for financial statement presentation. Such reclassifications had no effect on the total net position as previously reported.

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 \$3,338,926 primarily due to the reduction of outstanding related debt.

Current assets and other assets decreased by \$1,388,634 from 2013 to 2014 primarily due to a decrease in cash and state and federal aid receivable. Capital assets (net of depreciation) decreased by \$1,093,457. This was attributable to depreciation expense, exceeding capital asset additions. Long-term liabilities increased by \$7,825,604 primarily due to an increase in the net other post employment benefits obligation offset by scheduled bond repayments. Net position overall decreased by \$13,110,712.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2013 and 2014 are as follows:

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

(Governmental Activities Only)

	Fiscal Year 2014	Fiscal Year 2013	Increase/ (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	\$2,937,790	\$3,202,007	(\$264,217)	-8.25%
Operating grants	3,159,467	3,132,862	26,605	0.85%
General revenues				
Property and non-property taxes and other tax items	112,972,579	109,121,753	3,850,826	3.53%
State sources	5,583,024	5,293,408	289,616	5.47%
Use of money and property	477,474	496,788	(19,314)	-3.89%
Sale of property and and compensation for loss	44,775	51,117	(6,342)	-12.41%
Other	979,595	1,034,418	(54,823)	-5.30%
Total revenues	126,154,704	122,332,353	3,822,351	3.12%
Expenses				
General support	\$17,308,833	\$16,490,078	\$818,755	4.97%
Instruction	109,617,493	107,857,931	1,759,562	1.63%
Pupil transportation	8,585,794	8,773,903	(188,109)	-2.14%
Debt service - interest	2,338,075	2,363,609	(25,534)	-1.08%
Food service program	1,415,221	1,470,064	(54,843)	-3.73%
Total expenses	139,265,416	136,955,585	2,309,831	1.69%
Increase (decrease) in net position	(\$13,110,712)	(\$14,623,232)	\$1,512,520	-10.34%

The District's total fiscal year 2014 revenues totaled \$126,154,704 (See Table A-4). Real property taxes, non-property taxes and other tax items, as well as state sources accounted for most of the District's revenue by contributing 89.26% and 4.41%, respectively of total revenue. (See Table A-5). The remainder came from charges for services, operating grants, use of money and property and other miscellaneous sources.

The total cost of all programs and services totaled \$139,265,416 for fiscal year 2014. These expenses are predominantly related to instruction and caring for (pupil services) and transporting

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

students, which account for 84.88% of district expenses. (See Table A-6). The District's general support activities accounted for 12.43% of total costs.

Table A-5: Revenues for Fiscal Year 2014 (See Table A-4)

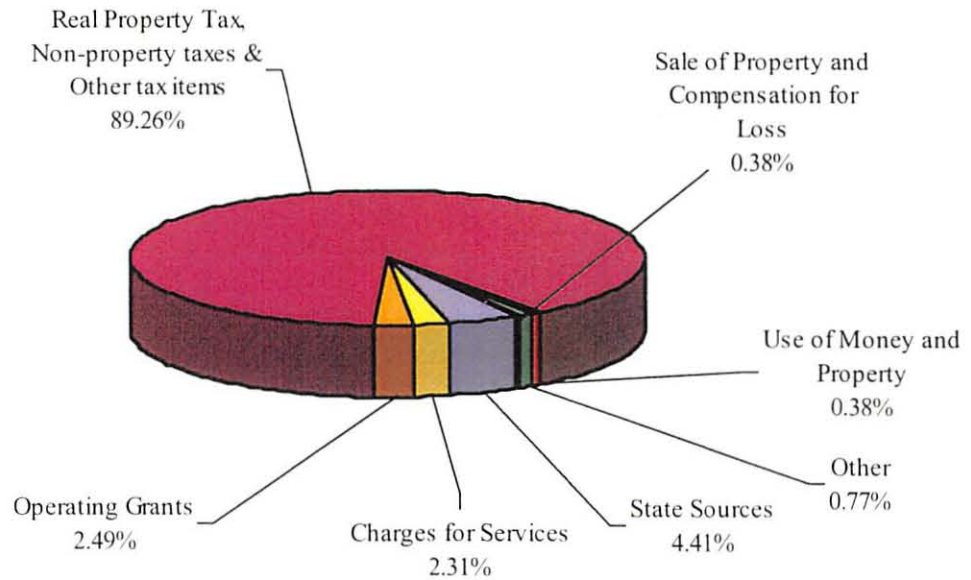
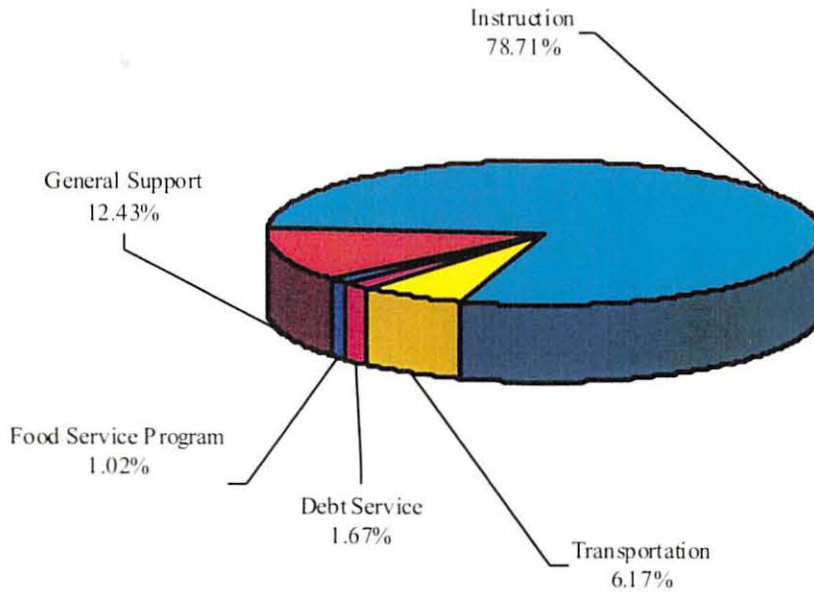


Table A-6: Expenses for Fiscal Year 2014 (See Tables A-4 and A-7)



**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

C) Governmental Activities

Revenues for the District's governmental activities totaled \$126,154,704 while total expenses equaled \$139,265,416. The overall decrease in net position for governmental activities of \$13,110,712 was primarily the result of the \$12.4 million increase in Other Post Employment Benefits (OPEB).

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

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2013
General Support	\$17,308,833	\$16,490,078	\$17,308,833	\$16,490,078
Instruction	109,617,494	107,857,931	105,321,143	103,357,664
Pupil Transportation	8,585,794	8,773,903	8,414,205	8,615,742
Debt Service - Interest	2,338,075	2,363,609	2,338,075	2,363,609
Food Service Program	1,415,221	1,470,064	(214,096)	(206,377)
Total	\$139,265,416	\$136,955,585	\$133,168,159	\$130,620,716

- The cost of all governmental activities this year was \$139,265,416. (Statement of Activities, Expenses column-see Exhibit 3)
- The users of the District's programs financed \$2,937,790 of the cost. (Statement of Activities, Charges For Services and Sales column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$3,159,467. (Statement of Activities, Operating Grants column – see Exhibit 3)
- 88% of the district's net costs of \$133,168,159 were financed by District taxpayers and state aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3).

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014, the District's combined governmental funds reported a total fund balance of \$11,849,145, which is a decrease of \$4,104,875 from the prior year.

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

	Fiscal Year 2014	Fiscal Year 2013	Increase/ (Decrease)	Total Percentage Change
General Fund				
Restricted for tax certiorari	\$2,173,243	\$1,947,674	\$225,569	11.58%
Restricted for unemployment insurance	254,190	253,771	419	0.17%
Restricted for retirement contribution	729,521	1,726,668	(997,147)	-57.75%
Restricted for insurance	79,646	90,003	(10,357)	-11.51%
Restricted for repairs	81,383	105,915	(24,532)	-23.16%
Restricted for employee benefit accrued liability	494,039	513,193	(19,154)	-3.73%
Assigned-appropriated for subsequent year's expenditures	3,000,000	3,550,000	(550,000)	-15.49%
Assigned-general support	281,845	691,402	(409,557)	-59.24%
Assigned-instruction	479,855	312,864	166,991	53.37%
Assigned-pupil transportation	85	-	85	100.00%
Assigned-employee benefits	2,000	-	2,000	100.00%
Unassigned	4,571,767	4,850,005	(278,238)	-5.74%
Total Fund Balance - General Fund	\$12,147,574	\$14,041,495	(\$1,893,921)	-13.49%

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Fiscal Year 2014	Fiscal Year 2013	Increase/ (Decrease)	Total Percentage Change
Food Service Fund				
Nonspendable - inventory	\$14,869	\$14,192	\$677	4.77%
Assigned	838,134	631,426	206,708	32.74%
Total Fund Balance- Food Service Fund	<u>\$853,003</u>	<u>\$645,618</u>	<u>\$207,385</u>	32.12%
Debt Service Fund				
Restricted	\$150,427	\$203,161	(\$52,734)	-25.96%
Total Fund Balance- Debt Service Fund	<u>\$150,427</u>	<u>\$203,161</u>	<u>(\$52,734)</u>	-25.96%
Capital Projects Fund				
Restricted	-	\$167,400	(\$167,400)	-100.00%
Assigned	-	896,346	(896,346)	-100.00%
Unassigned	(\$1,301,859)	-	(1,301,859)	
Total Fund Balance- Capital Projects Fund	<u>(\$1,301,859)</u>	<u>\$1,063,746</u>	<u>(\$2,365,605)</u>	-222.38%
Total Fund Balance - Governmental Funds	<u>\$11,849,145</u>	<u>\$15,954,020</u>	<u>(\$4,104,875)</u>	-25.73%

The decrease of \$1,893,921 in the total fund balance of the general fund is primarily reflected by the reduction in restricted reserves, assigned-appropriated for the 2014-15 budget, the reduction of assigned open year-end encumbrances and a reduced unassigned fund balance.

The increase in fund balance for food service fund can be attributed to an operating surplus.

The decrease in debt service fund can be attributable to transfers to the general fund to pay debt partially offset by transfers in from completed capital projects that were funded by bond proceeds in the capital projects fund.

The decrease fund balance for capital projects fund can be primarily attributed to the currently unfunded BOCES and District-wide capital improvements.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2013-2014 Budget

The District's voter approved general fund adopted budget for the year ended June 30, 2014 was \$125,057,000. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,004,267 and budget revisions of \$536,997, which resulted in a final budget of \$126,598,264. 91% of the funding for the adopted budget was from real property taxes, non-property taxes and other tax items (including STAR).

B) Change in General Fund's 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	\$ 4,850,005
Revenues over Budget	457,152
Expenditures and Encumbrances Under Budget	1,605,064
Changes in Restricted Fund Balances (net)	825,202
Use of Restricted Fund Balances	(165,656)
Assigned, designated for June 30, 2015 Budget	<u>(3,000,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 4,571,767</u>

The unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned: appropriated for subsequent years' taxes. This amount is limited to 4% of the 2014-2015 budget for a maximum allowable unassigned fund balance of \$5,060,000.

The revenues over budget in the amount of \$457,152 were primarily due to, charges for services, refunds of prior year's expenses, and other unclassified revenues offset by a shortfall in real property taxes due to current year tax certiorari settlements. (See Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget in the amount of \$1,605,064 were primarily attributable to expenditure savings in general support (central services and special items), instruction and employee benefits (see Supplemental Schedule #1 for detail).

The changes in restricted, assigned and unassigned fund balance are discussed further in Management's Discussion and Analysis Section 4, Financial Analysis of the District's Funds.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2014. 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 2014	Fiscal Year 2013	Increase / (Decrease)	Percentage Change
Land	\$2,021,645	\$2,021,645	\$ -	0.00%
Construction in progress	1,356,100	0	1,356,100	100.00%
Buildings & improvements	134,634,713	134,273,982	360,731	0.27%
Machinery & equipment	4,360,881	4,240,928	119,953	2.83%
Subtotal	<u>142,373,339</u>	<u>140,536,555</u>	<u>1,836,784</u>	1.31%
Less: Accumulated depreciation	<u>38,415,374</u>	<u>35,485,133</u>	<u>2,930,241</u>	8.26%
Total Net Capital Assets	<u><u>\$103,957,965</u></u>	<u><u>\$105,051,422</u></u>	<u><u>(\$1,093,457)</u></u>	-1.04%

During the year the District spent \$1,797,776 of capital projects fund and \$54,091 of other governmental fund expenditures on increases to capital assets. During the year \$15,083 of fully depreciated machinery and equipment were retired. Depreciation expense for the year was \$2,945,324.

B) Long-Term Debt

At June 30, 2014, the District had total bonds payable of \$51,960,000 and installment purchase debt of \$1,391,097. The bonds were issued for district-wide projects. The decrease in outstanding debt represents the scheduled repayments of principal. An increase of \$981,218 was for newly issued installment debt payable. A summary of outstanding debt at June 30, 2014 and 2013 is as follows:

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	2014	2013	Increase (Decrease)
Improvements to school buildings	\$0	\$1,025,000	(\$1,025,000)
Improvements to school buildings	21,150,000	22,500,000	(1,350,000)
Improvements to school buildings	14,525,000	15,450,000	(925,000)
Improvements to school buildings	2,450,000	2,580,000	(130,000)
Refunding bonds	1,235,000	2,390,000	(1,155,000)
Refunding bonds 2012	12,600,000	12,775,000	(175,000)
Installment purchase debt	1,391,097	1,341,512	49,585
Total	\$53,351,097	\$58,061,512	(\$4,710,415)

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A)** The voters approved the general fund budget in the amount of \$126,500,000 for the school year 2014-2015. This is an increase of \$1,443,000 or 1.15% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.
- B)** On October 22, 2013, the voters approved a \$31,828,238 capital bond project referendum. On November 13, 2013 the Board of Education approved a bond resolution authorizing the district to issue up to \$31,828,238 serial bonds for up to 30 years to finance the projects. On July 17, 2014, the District issued \$11,000,000 in Bond Anticipation Notes as short-term financing of the design costs, initial construction project costs and soft costs. It is anticipated that in the short term the remaining construction costs will be funded with Bond Anticipation Notes. These notes will be refinanced with serial bonds which will increase the District's future debt budgets.
- C)** On July 17, 2014, the District issued \$1,196,248 in Bond Anticipation Notes for short-term financing of the first two payments of the District's total obligation of \$1,704,110 for BOCES capital construction projects. The final payment of \$507,862 will be paid in July 2015. The District is authorized to issue up to 30-year serial bonds for the total obligation.
- D)** On June 4, 2014, the District's Board of Education approved a resolution to refund 2005 and 2006 serial bonds. In July 2014, the District accepted bids for the Refunding Serial Bonds of 2014 to be issued in November 2014. The reduced debt costs from the new Serial Bonds versus the previous bonds, net of issuance costs, is expected to be about \$2,885,125 over 12 years.
- E)** 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

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

- F) New York State recently enacted a law to effectively “freeze” property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The law is effective for school districts starting with the 2014-2015 school year and homeowners will receive refund checks in the fall of 2014. This program will provide an incentive for the District to be tax cap compliant.
- G) The Patient Protection and Affordable Care Act or more commonly referred to as the Affordable Care Act was enacted into law on March 23, 2010. Beginning in 2015, the mandate requires large employers (generally those with fifty (50) or more full-time equivalent employees) to either offer affordable health coverage to full-time employees and their dependents, or pay a penalty if the employer fails to offer affordable health coverage, and at least one full-time employee receives a premium tax credit to help purchase coverage through an Affordable Insurance Exchange. It is anticipated that implementation of this law will increase the health insurance costs for the District.

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:

Bedford Central School District
Mr. Mark Betz
Assistant Superintendent for Business
Route 172 – Fox Lane Campus
Bedford, New York 10506

BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS	
Cash and cash equivalents	
Unrestricted	\$18,355,611
Restricted	3,962,436
Receivables	
Accounts receivable	66,639
State and federal aid	1,744,087
Due from other governments	814,153
Due from fiduciary funds	179
Inventories	14,869
Capital assets	
Not being depreciated	3,377,745
Being depreciated, net of accumulated depreciation	<u>100,580,220</u>
TOTAL ASSETS	<u><u>\$128,915,939</u></u>
LIABILITIES	
Payables	
Accounts payable	\$3,000,793
Accrued liabilities	469,842
Due to other governments	173,571
Due to teachers' retirement system	8,464,163
Due to employees' retirement system	794,321
Accrued interest payable	296,490
Unearned credits	
Collections in advance	206,139
Long-term liabilities:	
Due and payable within one year	
Bonds payable	4,160,000
Installment purchase debt payable	692,426
Compensated absences	528,352
Due and payable after one year	
Bonds payable	47,800,000
Installment purchase debt payable	698,671
Compensated absences	1,812,281
Net other post employment benefit obligations payable	75,750,145
DEFERRED INFLOWS OF RESOURCES	
Defeasance gain	<u>612,923</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u><u>\$145,460,117</u></u>
NET POSITION	
Net investment in capital assets	\$49,993,945
Restricted	
Tax certiorari	2,173,243
Unemployment insurance	254,190
Retirement contribution	729,521
Insurance	79,646
Repairs	81,383
Employee benefit accrued liability	494,039
Debt service	150,427
Unrestricted (deficit)	<u>(\$70,500,572)</u>
TOTAL NET POSITION (DEFICIT)	<u><u>(\$16,544,178)</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$128,915,939</u></u>

**BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<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 and Contributions</u>	
FUNCTIONS / PROGRAMS				
Governmental activities:				
General support	(\$17,308,833)			(\$17,308,833)
Instruction	(109,617,494)	\$1,907,650	\$2,388,701	(105,321,143)
Pupil transportation	(8,585,794)		171,589	(8,414,205)
Debt service - interest	(2,338,075)			(2,338,075)
Food service program	(1,415,221)	1,030,140	599,177	214,096
TOTAL GOVERNMENTAL ACTIVITIES	<u>(\$139,265,416)</u>	<u>\$2,937,790</u>	<u>\$3,159,467</u>	<u>(133,168,159)</u>
GENERAL REVENUES				
Real property taxes				104,786,444
Other tax items - including STAR reimbursement				6,702,268
Non-property taxes				1,483,867
Use of money and property				477,474
Sale of property & compensation for loss				44,775
State sources				5,583,024
Miscellaneous				979,595
TOTAL GENERAL REVENUES				<u>120,057,447</u>
CHANGE IN NET POSITION				(13,110,712)
TOTAL NET POSITION - BEGINNING OF YEAR				<u>(3,433,466)</u>
TOTAL NET POSITION - END OF YEAR				<u>(\$16,544,178)</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Special Aid</u>	<u>Food Service</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents						
Unrestricted	\$15,212,097	\$822,130	\$939,645		\$1,381,739	\$18,355,611
Restricted	3,812,022			\$150,414		3,962,436
Receivables						
Accounts receivable	66,639					66,639
State and federal aid	667,894	1,025,242	50,951			1,744,087
Due from other governments	814,140	13				814,153
Due from other governmental funds	4,074,189			13		4,074,202
Due from fiduciary funds	179					179
Inventories			14,869			14,869
TOTAL ASSETS	<u>\$24,647,160</u>	<u>\$1,847,385</u>	<u>\$1,005,465</u>	<u>\$150,427</u>	<u>\$1,381,739</u>	<u>\$29,032,176</u>
LIABILITIES						
Payables						
Accounts payable	\$2,531,774	\$104,880	\$103,764		\$260,375	\$3,000,793
Accrued liabilities	467,773	2,069				469,842
Due to other governmental funds		1,650,877	102		2,423,223	4,074,202
Due to other governments	139,379	34,192				173,571
Due to teachers' retirement system	8,464,163					8,464,163
Due to employees' retirement system	794,321					794,321
Unearned credits						
Collections in advance	102,176	55,367	48,596			206,139
TOTAL LIABILITIES	<u>12,499,586</u>	<u>1,847,385</u>	<u>152,462</u>	<u>-</u>	<u>2,683,598</u>	<u>17,183,031</u>
FUND BALANCES						
Nonspendable: Inventory			14,869			14,869
Restricted:						
Tax certiorari	2,173,243					2,173,243
Unemployment insurance	254,190					254,190
Retirement contribution	729,521					729,521
Insurance	79,646					79,646
Repairs	81,383					81,383
Employee benefit accrued liability	494,039					494,039
Debt service				150,427		150,427
Assigned						
Appropriated fund balance	3,000,000					3,000,000
Unappropriated fund balance	763,785		838,134			1,601,919
Unassigned	4,571,767				(1,301,859)	3,269,908
TOTAL FUND BALANCE	<u>12,147,574</u>	<u>-</u>	<u>853,003</u>	<u>150,427</u>	<u>(1,301,859)</u>	<u>11,849,145</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$24,647,160</u>	<u>\$1,847,385</u>	<u>\$1,005,465</u>	<u>\$150,427</u>	<u>\$1,381,739</u>	<u>\$29,032,176</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Governmental Fund Balances		\$11,849,145
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.</p>		
Original cost of capital assets	\$142,373,339	
Accumulated depreciation	<u>(38,415,374)</u>	103,957,965
<p>Defeasance gain - gain on defeasance on the advance refunding. The Statement of Net Position will amortize the gain on defeasance on the advance refunding over the life of the bond. Governmental funds recorded the gain on defeasance on the advance refunding as an expenditure in the current year.</p>		
		(612,923)
<p>Payables - that are associated with long-term liabilities that are not payable in the current period and, therefore, are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:</p>		
Accrued interest on bonds and installment debt		(296,490)
<p>Long-term liabilities that 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:</p>		
Bonds payable	(51,960,000)	
Installment purchase debt payable	(1,391,097)	
Compensated absences	(2,340,633)	
Net other post employment benefit obligations payable	<u>(75,750,145)</u>	<u>(131,441,875)</u>
Total Net Position		<u>(\$16,544,178)</u>

BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Special Aid</u>	<u>Food Service</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES						
Real property taxes	\$104,786,444					\$104,786,444
Other tax items	6,702,268					6,702,268
Non-property taxes	1,483,867					1,483,867
Charges for services	1,907,650					1,907,650
Use of money and property	477,006		\$373	\$95		477,474
Forfeitures	150					150
Sale of property and compensation for loss	44,775					44,775
Miscellaneous	972,445	\$519,572	1,996		\$7,000	1,501,013
State aid	5,583,024	496,290	33,760			6,113,074
Federal aid		1,544,428	481,172			2,025,600
Surplus food			84,245			84,245
Sales			1,028,144			1,028,144
TOTAL REVENUES	<u>121,957,629</u>	<u>2,560,290</u>	<u>1,629,690</u>	<u>95</u>	<u>7,000</u>	<u>126,154,704</u>
EXPENDITURES						
General support	12,528,155					12,528,155
Instruction	61,901,523	2,596,038				64,497,561
Pupil transportation	8,243,940	171,589				8,415,529
Employee benefits	33,117,562	37,963				33,155,525
Cost of food sales			1,422,305			1,422,305
Debt service - principal	5,691,634					5,691,634
Debt service - interest	2,251,300					2,251,300
Capital outlay					3,278,790	3,278,790
TOTAL EXPENDITURES	<u>123,734,114</u>	<u>2,805,590</u>	<u>1,422,305</u>	<u>-</u>	<u>3,278,790</u>	<u>131,240,799</u>
EXCESS (DEFICIENCY)						
OF REVENUES OVER EXPENDITURES	<u>(1,776,485)</u>	<u>(245,300)</u>	<u>207,385</u>	<u>95</u>	<u>(3,271,790)</u>	<u>(5,086,094)</u>
OTHER FINANCING SOURCES AND (USES)						
Proceeds from installment purchase debt					981,219	981,219
Transfers in	377,864	245,300		47,171	250,000	920,335
Transfers (out)	(495,300)			(100,000)	(325,035)	(920,335)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(117,436)</u>	<u>245,300</u>	<u>-</u>	<u>(52,829)</u>	<u>906,184</u>	<u>981,219</u>
NET CHANGE IN FUND BALANCE	(1,893,921)	-	207,385	(52,734)	(2,365,606)	(4,104,875)
FUND BALANCE - BEGINNING OF YEAR	<u>14,041,495</u>	<u>-</u>	<u>645,618</u>	<u>203,161</u>	<u>1,063,746</u>	<u>15,954,020</u>
FUND BALANCE - END OF YEAR	<u>\$12,147,574</u>	<u>\$ -</u>	<u>\$853,003</u>	<u>\$150,427</u>	<u>(\$1,301,860)</u>	<u>\$ 11,849,145</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balance (\$4,104,875)

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, compensated absences (vacation and sick days),
- are measured by the amounts earned or incurred during the year. In the governmental
funds, however, expenditures for these items are measured by the amount of financial
resources used. Compensated absences payable for the year ended June 30, 2014 changed by (97,625)

Net other post employment benefit obligations payable in the Statement of Activities are measured
by the amounts earned or incurred during the year. In the governmental funds, however,
expenditures for these items are measured by the amount of financial resources used. Net other
post employment benefits obligations payable for the year ended June 30, 2014 changed by (12,438,395)

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds
as expenditures. However, for governmental activities, those costs are capitalized
and shown in the statement of net assets and allocated over their useful lives as
annual depreciation expense in the Statement of Activities.

Capital outlays	\$1,851,867	
Depreciation expense	<u>(2,945,324)</u>	(1,093,457)

Long-Term Debt Differences

Interest on long-term debt in the Statement of Activities differs from the amounts
reported in the governmental funds because interest is recorded as an expenditure in
the funds when it is due, and this requires the use of current financial resources.
In the Statements of Activities, however, interest expense is recognized as the interest
accrues regardless of when it is due. Accrued interest from June 30, 2013 to
June 30, 2014 changed by 23,857

Repayment of bond principal is an expenditure in the governmental funds, but it
reduces long-term liabilities in the Statement of Net Position and does not affect
the Statement of Activities. 4,760,000

Repayment of installment purchase debt principal is an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Position and does not
affect the Statement of Activities. 931,634

Proceeds from installment purchase debt is another financing source in
the governmental funds, but it increases long-term liabilities in the Statement of Net Position
and does not affect the Statement of Activities. (981,219)

Defeasance gain - gain on defeasance on the advance refunding. The Statement of Net
Position will amortize the gain on defeasance on the advance refunding over the life of
the bond. Governmental funds recorded the gain on defeasance on the advance refunding
as an expenditure in the year of issue. (110,632)

Changes in Net Position (\$13,110,712)

**BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash - Restricted	\$649,899	\$284,789
Accounts receivable		<u>2,502</u>
TOTAL ASSETS	<u>\$649,899</u>	<u>\$287,291</u>
LIABILITIES		
Due to governmental funds		\$179
Student activity funds		143,091
Other liabilities		<u>144,021</u>
TOTAL LIABILITIES	<u>\$0</u>	<u>\$287,291</u>
NET POSITION		
Restricted for scholarships	<u>649,899</u>	
TOTAL NET POSITION	<u>649,899</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$649,899</u>	

**BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$6,458
Interest and earnings	442
TOTAL ADDITIONS	<u>6,900</u>
 DEDUCTIONS	
Scholarships and awards	<u>42,660</u>
TOTAL DEDUCTIONS	<u>42,660</u>
 CHANGE IN NET POSITION	 (35,760)
 NET POSITION - BEGINNING OF YEAR	 <u>685,659</u>
 NET POSITION - END OF YEAR	 <u><u>\$649,899</u></u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of seven (7) 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, develop and approve policy, 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 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represents funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra classroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office. The District reports these assets held by its agent for the

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund.

B) Joint venture:

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

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

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. In the case of this particular BOCES, each component district's share of administrative and capital cost is determined by resident public school district enrollment and property wealth formula, 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.

Pursuant to §1950 of the New York State Education Law, member school districts whose boards of education approve a capital projects plan for reconstruction or construction of buildings on BOCES property for BOCES program use, and enter into such an agreement for payment of such construction, shall be responsible for an apportioned amount of the cost of construction. By a majority vote of the school district board of education members, such district may pass a resolution to issue serial bonds to fund the BOCES projects pursuant to the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of the State of New York.

On October 9, 2012 the Boards of Education of the 18 component districts from the Putnam Northern Westchester BOCES approved the BOCES Capital Improvement Project in the amount of \$16,944,701. On February 6, 2013 the Bedford Central School District Board of Education approved a Bond Resolution, in the amount of \$1,704,110, the apportioned amount of the total BOCES capital cost. BOCES agreed to invoice school districts in three amounts, coinciding with its expected cash flow needs for the projects. Bedford's payments of \$592,751; \$603,497 and \$507,862 are due each July starting with 2013 and ending 2015. The District made its first payment July 3013 from its capital fund but did not yet bond the present and future costs. The District is authorized to provide short-term financing through Bond Anticipation Notes and long-term financing through Serial Bonds. As bond counsel has determined the projects have a useful life of 30 years, the District is authorized to finance the projects up to 30 years.

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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.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

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

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

Food Service Fund: This fund is used to account for the activities of the District's food service operations. The Food Service operation is supported by federal and state grants and charges participants for its services.

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

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

The District reports the following fiduciary funds:

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

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

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

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 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

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general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Real Property taxes:

i) Calendar:

Real property taxes attach as an enforceable lien on real property as of July 1st and are payable in two installments in September and January.

ii) Enforcement:

The Towns of Bedford, Mount Kisco, New Castle, North Castle, and Pound Ridge, which are included in this levy, are responsible for the billing and collection of the taxes. The towns guarantee the full payment of the District warrant and assume responsibility for the uncollected taxes.

F) Restricted resources:

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

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

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

Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and

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disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other post-employment benefits, workers compensation claims, potential contingent liabilities and useful lives of capital assets.

I) Cash and cash equivalents:

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

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

J) Receivables:

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

K) Inventories and prepaid items:

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

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

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2014.

L) Capital assets:

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical costs,

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based on professional third-party information. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$5,000	Straight-line	20 - 50 years
Machinery and Equipment	\$5,000	Straight-line	5 - 20 years

M) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to incurring 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.

In the fund level statements, collections in advance consist of amounts received in advance for the summer program and various other programs in the general fund; for amounts received in advance for meals that have not yet been purchased in the food service fund and for amounts received in advance for grants in the special aid fund.

N) 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 \$612,923 of deferred inflows of resources at June 30, 2014, representing the financial effect of a deferred gain on the advance refunding of general obligation serial bonds. A deferred inflow of resources results from the difference in the net carrying value of refunded debt over its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

O) Vested employee benefits:

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

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

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Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

P) Other benefits:

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

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

In addition to providing pension benefits, the district provides both health insurance coverage and dental insurance coverage for its active employees. Active employees pay a contribution toward the cost of the health plan according to the terms of their collectively bargained or individual employment contracts. The District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. A large majority of these employees participate in the district's self-insured health plan where costs are based on actual claims use. The District also offers an HMO plan where a small number of employees participate. That plan is a fully insured plan whose premiums are set by the HMO annually.

Currently, no retired active plan members in the self-insured plan are required to contribute to the plan. Currently, any retired active plan members in the HMO plan must pay the difference between the HMO premium and the self-insured premium equivalent, if one exists. Future retirees, according to the dates and terms in their employment contracts, will be required to pay a contribution toward either of the health plans equal to the percentage they were paying in their last year of employment before retirement.

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

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of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's 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 BAN's issued for capital purposes be converted to long-term financing within five years after the original issue dated.

The District has not issued or retired any short term debt in the fiscal year ended June 30, 2014.

R) Accrued liabilities and long-term obligations:

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

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

S) Equity Classifications:

i) District-Wide Financial Statements:

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

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

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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) Funds Financial Statements:

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

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. At June 30, 2014 the District has \$14,869 in non-spendable fund balance for inventory recorded in the food service fund.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

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

Tax Certiorari Reserve

Tax certiorari reserve (EL§3651.1-a), must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any monies deposited to such reserve fund which are not expended for the payment of judgments or claims arising out of such tax certiorari proceedings for the tax roll in the year such monies are deposited to the said fund and/or which will not reasonably be required to pay any such judgment or claim shall be returned to the general fund on or before the first day of the fourth fiscal year following the deposit of such monies to said reserve fund. For purposes of this subdivision, such monies shall be deemed reasonably required to pay any such judgment or claim if the proceeding or claim has not been finally determined or otherwise terminated or disposed of after the exhaustion of all appeals. This reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

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

Insurance Reserve

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

Repair Reserve

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

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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.

Debt Service

Debt service accumulates funds from unused bond proceeds and interest earnings. The accumulated funds must be used to offset the cost of the bond principal and interest payments. This reserve is accounted for in the debt service fund, under restricted fund balance.

Capital Projects

Used to account for the financial resources that are restricted by voter approved propositions for acquisition, construction or major repair of capital facilities. This reserve is accounted for in the capital projects fund, under restricted fund balance.

Scholarships

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

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, 2014.

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

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.

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NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitations. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. See Supplemental Schedule #3 for unassigned fund balance.

Fund Balance Classification

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

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

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

T) Future changes in Accounting Standards

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, effective for fiscal years ending June 30, 2015.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years ending June 30, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, effective for fiscal years ending June 30, 2015.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions

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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 Balance vs. Statement of Activities:

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

i) Long-term revenue and expense differences:

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

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the Fund 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 principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

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iv) Employee benefits allocation:

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balance 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. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #3.

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.

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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 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 40, *Deposits and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

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

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2014 included \$3,962,436 within the governmental funds for debt service and general reserve purposes and \$934,688 in the fiduciary funds.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

B) Investments:

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

C) Investment Pool:

The District participates in Cooperative Liquid Assets Security System – New York (NYCLASS), a multi-municipal investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investments and collateral policies are in accordance with New York State General Municipal Law, Sections 10 and 11.

Total investments of the cooperative at June 30, 2014 are \$185,950,657 which consists of \$31,000,290 in repurchase agreements collateralized by a U.S. Government Agency Security, \$45,153,711 in U.S. Treasuries securities, \$73,500,000 in U.S. Government Agency Obligations, \$5,121,650 in Municipal Bonds and \$31,175,006 in collateralized bank deposits with various interest rate and due dates.

The following amounts on deposit at NYCLASS are included as cash and cash equivalents:

<u>Fund</u>	<u>Carrying Amount</u>
General fund	\$693,050
Food service fund	65,258
Capital projects fund	96,130
Debt service fund	150,414
Total	<u><u>\$1,004,852</u></u>

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. The Lead Participant of NYCLASS is the Village of Potsdam, NY. Additional information concerning NYCLASS, including the annual report can be found on its website at www.newyorkclass.org.

NOTE 5 – PARTICIPATION IN BOCES

During the year ended June 30, 2014, the District was billed \$2,691,734 for BOCES administrative and program costs. The District’s share of BOCES aid amounted to \$620,897.

Financial statements for the BOCES are available from the BOCES administrative office at 200 BOCES Drive, Yorktown Heights, New York 10598.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 6 – RECEIVABLES:

Accounts receivable in the general fund at June 30, 2014 consisted of the following:

Facilities use/rentals	\$11,449
Misc. Fees	2,121
Reimbursements	53,068
Total accounts receivable	<u>\$66,639</u>

State and federal aid receivable and due from other governments for all government funds consisted of the following:

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Special Aid Fund</u>	<u>Total Governmental Funds</u>
<u>State and federal aid</u>				
BOCES aid receivable	\$279,404			\$279,404
Excess cost aid	308,408			308,408
General aid	47,686			47,686
Lunch - state and federal		\$50,951		50,951
Waste water treatment plant	32,395			32,395
Federal grants			\$429,902	429,902
State and local grants			595,340	595,340
Total state and federal aid	<u>667,894</u>	<u>50,951</u>	<u>1,025,242</u>	<u>1,744,087</u>
<u>Due from other governments</u>				
Sales tax	383,619			383,619
Tuition receivable/IRS Refund	427,262		13	427,275
STAR Reimbursement	3,259			3,259
Total due from other government:	<u>814,140</u>	<u>-</u>	<u>13</u>	<u>814,153</u>
Total	<u>\$1,482,033</u>	<u>\$50,951</u>	<u>\$1,025,255</u>	<u>\$2,558,240</u>

District management has deemed these funds to be fully collectible.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 7 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$2,021,645			\$2,021,645
Construction in progress	-	\$ 1,356,100		\$1,356,100
Total capital assets not being depreciated	<u>2,021,645</u>	<u>1,356,100</u>	<u>-</u>	<u>3,377,745</u>
Capital assets being depreciated:				
Building & improvements	134,273,982	360,731		134,634,713
Machinery and equipment	4,240,928	135,036	(15,083)	4,360,881
Total capital assets being depreciated	<u>138,514,910</u>	<u>495,767</u>	<u>(15,083)</u>	<u>138,995,594</u>
Less accumulated depreciation:				
Building & building Improvements	33,139,685	2,575,520		35,715,205
Furniture & equipment	2,345,448	369,804	(15,083)	2,700,170
Total accumulated depreciation	<u>35,485,133</u>	<u>2,945,324</u>	<u>(15,083)</u>	<u>38,415,374</u>
Total capital assets being depreciated, net	<u>103,029,777</u>	<u>(2,449,557)</u>	<u>-</u>	<u>100,580,220</u>
Total capital assets, net	<u>\$105,051,422</u>	<u>(\$1,093,457)</u>	<u>\$ -</u>	<u>\$103,957,965</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$144,132
Instruction	2,792,980
Pupil Transportation	2,435
Cost of Food Sales	5,778
Total depreciation expense	<u>\$2,945,324</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 8 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$4,074,368		\$377,864	\$495,300
Special aid fund		\$1,650,877	245,300	
Lunch Fund		102		
Debt service fund	13		47,171	100,000
Capital projects fund		2,423,223	250,000	325,035
Total government activities	<u>4,074,381</u>	<u>4,074,202</u>	<u>920,335</u>	<u>920,335</u>
Fiduciary agency funds		179		
Totals	<u><u>\$4,074,381</u></u>	<u><u>\$4,074,381</u></u>	<u><u>\$920,335</u></u>	<u><u>\$920,335</u></u>

The District typically transfers from the general fund to the capital projects fund, to finance capital projects. The District typically transfers from the general fund to the special aid fund to fund the District's 20% share of summer school handicap expenses required by state law. During the year, the debt service fund transferred monies to the general fund to offset debt payments and the capital projects fund transferred unneeded proceeds to the debt service fund.

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

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

NOTE 9 – COLLECTIONS IN ADVANCE:

Collections in advance on the governmental funds balance sheet at June 30, 2014 consisted of:

General fund	
Donations/Grants - Field Trips	\$37,310
Donations - Other Purposes	25,321
Elementary Bike Run	18,063
Cell tower	11,475
Health reimbursements	6,985
Driver's education	3,022
Total	<u>\$102,176</u>
Special aid fund	
Unearned revenues from state and local grants	<u>\$55,367</u>
School lunch Fund	
Prepaid meals and charged meals	<u>\$48,596</u>
Total collections in advance	<u><u>\$206,139</u></u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 10 - SHORT-TERM DEBT:

The District did not incur any short-term debt during the year.

NOTE 11 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Long-term debt:					
Bonds payable	\$56,720,000		\$4,760,000	\$51,960,000	\$4,160,000
Installment purchase debt payable	1,341,512	981,218	931,633	1,391,097	692,426
Other long-term liabilities:					
Compensated absences	2,243,009	97,624		2,340,633	528,352
Net other post employment benefit obligations payable	63,311,750	17,762,396	5,324,001	75,750,145	
Total long-term liabilities	<u>123,616,271</u>	<u>\$18,841,238</u>	<u>\$11,015,634</u>	<u>\$131,441,875</u>	<u>\$5,380,778</u>

The general fund has typically been used to liquidate long-term liabilities such as compensated absences and net other post employment benefit obligations.

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

A) Bonds Payable

Bonds payable is comprised of the following:

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Improvement to school buildings	2005	2026	3.50 - 5.00%	\$21,150,000
Improvement to school buildings	2006	2026	3.50 - 4.50%	14,525,000
Improvement to school buildings	2008	2028	3.50 - 5.00%	2,450,000
Refunding bonds 2008	2008	2026	3.00 - 5.00%	1,235,000
Refunding bonds 2012	2012	2023	2.00 - 4.00%	12,600,000
				<u>\$51,960,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	\$4,160,000	\$2,056,431	\$6,216,431
2016	4,260,000	1,891,756	6,151,756
2017	4,445,000	1,707,406	6,152,406
2018	4,200,000	1,508,581	5,708,581
2019 - 2024	26,880,000	5,264,344	32,144,344
2025 - 2028	8,015,000	463,319	8,478,319
	<u>\$51,960,000</u>	<u>\$12,891,837</u>	<u>\$64,851,837</u>

Unissued Debt

On October 22, 2013, the voters approved a \$31,828,238 capital bond project referendum. On November 13, 2013 the Board of Education approved a bond resolution authorizing the district to issue up to \$31,828,238 serial bonds for up to 30 years to finance the projects.

On October 9, 2012 the Boards of Education of the 18 component districts from the Putnam Northern Westchester BOCES approved the BOCES Capital Improvement Project in the amount of \$16,944,701. On February 6, 2013 the Bedford Central School District Board of Education approved a Bond Resolution, in the amount of \$1,704,110, the apportioned amount of the total BOCES capital cost, to authorize the issuance of serial bonds for up to 30 years to finance the projects.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

B) Installment Purchase Debt

Installment purchase debt is comprised of the following:

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	\$692,426	\$18,620	\$711,046
2016	428,633	9,385	438,018
2017	259,377	6,595	265,972
2018	10,661	184	10,845
	<u>\$1,391,097</u>	<u>\$34,785</u>	<u>\$1,425,882</u>

C) Long-Term Interest

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

	<u>Total</u>
Interest paid	\$2,251,299
Less interest accrued in the prior year	(320,347)
Plus interest accrued in the current year	296,491
Plus amortization of issuance costs, gain on refunding and issuance premium	<u>110,632</u>
Total expense	<u>\$2,338,075</u>

NOTE 12 – DEFERRED INFLOWS OF RESOURCES:

The gain on defeasance pertaining to the 2009 and 2011 refunding is recorded in the District-Wide Financial Statements, as deferred inflow of resources as of June 30, 2014 consisted of the following:

Deferred amounts on refunding	\$537,869
Bond premium	<u>(1,150,792)</u>
Total gain on defeasance	<u>(\$612,923)</u>

The gain on defeasance on the advanced refunding is being amortized on the District-Wide financial Statements using the straight-line method over 9 and 11 years, respectively, the time to maturity of the refunded bonds, at the point of refunding.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 13 – PENSION PLANS:

A) General information:

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

Both NYSERS and NYSTRS offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

B) Provisions and administration:

i) Teachers' Retirement System:

The New York State Teachers' Retirement Board administers NYSTRS. The System provides 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

ii) Employees' Retirement System:

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or accessed at www.osc.state.ny.us.

C) Funding policies:

The Systems are noncontributory for the employee who joined the Systems prior to July 27, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined on or after January 1, 2010 and before April 1, 2012 employees in NYERS contribute 3% of their salary throughout their active membership and those in NYTRS contribute 3.5% throughout their active membership. For employees hired on or after April 1, 2012, employee contribution rates are dependent upon salaries and range from 3% to 6% of 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

	<u>NYSERS</u>	<u>NYSTRS</u>
2014	\$2,791,531	\$8,058,063
2013	2,608,776	5,881,411
2012	2,655,218	5,361,213

D) 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 provides a non-elective contribution based on certain individual employee contracts. Contributions made by the District and the employees for the year ended June 30, 2014, totaled \$22,000 and \$2,738,229 respectively.

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

A) Plan Description

The District primarily provides post-employment health insurance coverage to retired employees and their spouses in accordance with the provisions of various employment contracts. The District sponsors and administers a single-employer defined benefit health care plan (the "Plan"). The Plan does not issue a standalone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

B) Funding Policy

The contribution requirements of retired 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, with an additional amount to prefund benefits as determined annually by the District. For fiscal year 2014, the District contributed \$5,324,001 to the Plan. Currently, no retired active plan members are required to contribute to the Plan. (Current contract language for BASA, BTA and CSEA reflect an employee contribution into retirement based on the premium contribution percentage paid while an active employee.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 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	\$18,750,431
Interest on net OPEB obligation	2,532,470
Adjustment to Annual Required Contribution	(3,520,506)
Annual OPEB cost (expense)	17,762,395
Contributions made	(5,324,001)
Increase in net OPEB obligation	12,438,394
Net OPEB obligation-beginning of year	63,311,750
Net OPEB obligation-end of year	\$75,750,145
Annual OPEB cost	\$17,762,396
Percentage of annual OPEB cost contributed	30%
Net OPEB obligation-end of year	\$75,750,145

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014 and the preceding two years was as follows:

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$18,278,931	\$17,687,708	\$4,545,600	26%	\$51,026,761
June 30, 2013	17,872,634	17,076,317	4,791,329	28%	63,311,750
June 30, 2014	18,750,431	17,762,396	5,324,001	30%	75,750,144

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$191,971,195, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$191,971,195. The covered payroll (annual payroll of active employees covered by the plan) was \$65,152,409 and the ratio of the UAAL to the covered payroll was 294.65%.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The 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 pattern of sharing benefit costs between the District and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation prepared by 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 included a discount rate of 4% and an annual healthcare cost trend rate of 6.1% initially, reduced by decrements to an ultimate rate of 3.8% after 70 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

NOTE 15 – 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) Consortiums and Self Insured Plans:

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

The District participates in the Westchester-Putnam Schools Cooperative Self-Insurance Plan (the "Workers' Compensation Plan) to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

administer claims and finance liability and risks related to workers compensation claims. The Workers' Compensation Plan's total discounted liability for unbilled and open claims at June 30, 2014 was \$23,443,432 with a discount rate of 2.0%. The District's share of the liability for unbilled and open claims is \$1,140,757. The District also maintains a fund balance of \$2,358,159 with the Workers' Compensation Plan. Therefore, the District did not have a net long-term liability.

NOTE 16 – FUND BALANCES - ASSIGNED:

A) Assigned: Appropriated:

The amount of \$3,000,000 has been appropriated to partially fund the general fund budget for the year ending June 30, 2015.

B) Assigned: Encumbered:

At June 30, 2014, the District encumbered the following amounts:

	<u>General</u>	<u>Food Service</u>	<u>Capital Projects</u>	<u>Total</u>
Assigned for:				
Unappropriated				
Fund Balance:				
General support	\$281,845			\$281,845
Instruction	479,855			479,855
Pupil transportation	85			
Employee benefits	2,000			
Food service		\$89,141		89,141
Capital projects			\$6,698,879	6,698,879
	<u>\$763,785</u>	<u>\$89,141</u>	<u>\$6,698,879</u>	<u>\$7,549,720</u>

NOTE 17 – COMMITMENTS AND CONTINGENCIES:

A) 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

B) Litigation

As of June 30, 2014 we are unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

NOTE 18 – SUBSEQUENT EVENTS:

- A) On October 22, 2013 the District's voters approved a proposition to authorize a district wide \$31,828,238 capital improvement plan. On November 13, 2013 the Board of Education approved a bond resolution authorizing the district to issue up to \$31,828,238 serial bonds for up to 30 years to finance the projects. On July 17, 2014, the District issued \$11,000,000 in Bond Anticipation Notes at .1590% maturing July 17, 2015 as short-term financing of the design costs, initial construction project costs and soft costs.
- B) On July 17, 2014, the District issued \$1,196,248 in Bond Anticipation Notes at .3430% maturing July 17, 2015 for short-term financing of the first two payments of the District's total obligation of \$1,704,110 for BOCES capital construction projects. The District is authorized to issue up to 30-year serial bonds for the total obligation. See Notes to the Financial Statement # 1 B) for full explanation of authorization.
- C) On June 4, 2014 the District's Board of Education approved a resolution to refund 2005 and 2006 serial bonds. In July 2014, the District accepted bids for the Refunding Serial Bonds of 2014 to be issued in November 2014. The reduced debt costs from the new Serial Bonds versus the previous bonds, net of issuance costs, is expected to be about \$2,885,125 over 12 years.

SUPPLEMENTARY INFORMATION

**BEDFORD CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$104,912,808	\$104,912,808	\$104,786,444	(\$126,364)
Other tax items	6,690,192	6,690,192	6,702,268	12,076
Non-property taxes	1,390,000	1,390,000	1,483,867	93,867
Charges for services	1,591,800	1,673,925	1,907,650	233,725
Use of money and property	590,000	590,000	477,006	(112,994)
Forfeitures			150	150
Sale of property and compensation for loss	5,000	38,079	44,775	6,696
Miscellaneous	637,200	819,357	972,445	153,088
State sources				
Basic formula	2,030,326	2,030,326	1,902,731	(127,595)
Excess cost aid	1,696,265	1,696,265	1,687,626	(8,639)
Lottery aid	100,000	100,000	162,960	62,960
BOCES aid	580,000	580,000	620,897	40,897
Textbook aid	304,541	304,541	299,871	(4,670)
Software aid	73,399	73,399	75,410	2,011
Library aid	28,543	28,543	31,462	2,919
Building aid	522,958	522,958	533,507	10,549
Other state aid	253,968	327,948	268,560	(59,388)
Other Financing Sources				
Transfers from other funds	100,000	100,000	377,864	277,864
TOTAL REVENUES AND OTHER SOURCES	<u>121,507,000</u>	<u>121,878,341</u>	<u>\$122,335,494</u>	<u>\$457,152</u>
Appropriated fund balance	3,550,000	3,550,000		
Appropriated reserves	1,004,267	1,169,923		
TOTAL REVENUES AND APPROPRIATED FUND BALANCE	<u>\$126,061,267</u>	<u>\$126,598,264</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.

**BEDFORD CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
General Support					
Board of education	\$51,328	\$54,560	\$44,574	\$2,003	\$7,983
Central administration	397,904	413,653	399,633	95	13,925
Finance	970,544	962,575	936,724	4,580	21,271
Staff	867,981	861,974	812,992	24,570	24,412
Central services	8,849,189	9,207,113	8,815,431	250,278	141,404
Special items	1,477,334	1,612,743	1,518,802	319	93,622
Instructional					
Instruction, adm. & imp.	5,391,949	5,517,870	5,284,978	120,304	112,589
Teaching - regular school	39,509,195	39,588,872	38,992,779	122,435	473,658
Programs for children with handicapping conditions	9,585,120	9,042,549	8,703,678	84,674	254,197
Occupational education	727,018	727,018	727,018		-
Teaching special schools	50,000	42,675	29,415		13,260
Instructional media	2,800,091	2,846,481	2,784,983	33,094	28,404
Pupil services	5,260,119	5,568,786	5,378,672	119,349	70,765
Pupil Transportation	8,026,271	8,276,248	8,243,940	85	32,224
Employee Benefits	33,647,660	33,425,584	33,117,562	2,000	306,022
Debt Service					
Debt service principal	5,699,634	5,698,260	5,691,634		6,626
Debt service interest	2,249,930	2,251,304	2,251,300		4
TOTAL EXPENDITURES	<u>125,561,267</u>	<u>126,098,264</u>	<u>123,734,114</u>	<u>763,785</u>	<u>1,600,364</u>
Other Financing Uses					
Transfers to other funds	500,000	500,000	495,300		4,700
TOTAL EXPENDITURES AND OTHER USES	<u>\$126,061,267</u>	<u>\$126,598,264</u>	<u>124,229,414</u>	<u>\$763,785</u>	<u>\$1,605,064</u>
Net change in fund balances			(1,893,921)		
Fund balance - beginning of year			<u>14,041,495</u>		
Fund balance - end of year			<u>\$12,147,574</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.

**BEDFORD CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2014**

Valuation Date	Actuarial		Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2011	\$0	\$188,438,492	\$188,438,492	0%	\$63,851,045	295.12%
July 1, 2012	0	181,501,904	181,501,904	0%	64,369,523	281.97%
July 1, 2013	0	191,971,195	191,971,195	0%	65,152,409	294.65%

**BEDFORD CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
JUNE 30, 2014**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$125,057,000
Add: Prior year's encumbrances		<u>1,004,267</u>
Original Budget		126,061,267
Budget Revisions		
Use of reserves:		
Employee benefit accrued liability	\$19,997	
Tax certiorari	120,409	
Repair reserve	25,250	
Drivers education	65,209	
Pupil transportation and field trips	114,120	
Refund of prior years expense	40,520	
Wastewater treatment plant reimbursement	73,980	
Insurance recoveries	33,079	
Donations and gifts	<u>44,433</u>	<u>536,997</u>
Final Budget		<u>\$126,598,264</u>
2014 - 2015 voter-approved expenditure budget		<u>\$126,500,000</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Maximum allowed (4% of 2014-15 budget)		<u>\$5,060,000</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Assigned fund balance	\$3,763,785	
Unassigned fund balance	<u>4,571,767</u>	
Total unrestricted fund balance	<u>8,335,552</u>	
Less:		
Appropriated fund balance	3,000,000	
Encumbrances included in assigned fund balance	<u>763,785</u>	
Total adjustments	<u>3,763,785</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$4,571,767</u>
Actual percentage		3.61%

**BEDFORD CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Project Title	Expenditures to Date					Methods of Financing					Fund Balance at June 30, 2014
	Appropriation	Current Year			Unexpended Balance	Proceeds of Obligations	Local Sources Transfers	Other	Total		
		Prior Year's	Capital Outlay	Transfers Out						Total	
Capital Outlay											
01-02 Bond Authorization - DW Renovations	\$77,003,805	\$76,436,406	\$120,228		\$76,556,634	\$447,171	\$76,663,805	\$255,000	\$85,000	\$77,003,805	\$447,171
Transfer Out to Debt Service		400,000		\$47,171	447,171	(447,171)					(447,171)
TOTAL 01-02 DW RENOVATIONS	77,003,805	76,836,406	120,228	47,171	77,003,805	-	76,663,805	255,000	85,000	77,003,805	-
13-14 Bond Authorization - 31.8M DW Renov.	31,828,238		1,355,161		1,355,161	30,473,077			7,000	7,000	(1,348,161)
01-02 Interfund Transfer											
Site Improvement-Utilities	635,000	570,776			570,776	64,224		635,000		635,000	64,224
Transfer Out to General Fund				44,555	44,555	(44,555)		0			(44,555)
TOTAL 01-02 INTERFUND TRANSFERS	635,000	570,776	-	44,555	615,331	19,669	-	635,000	-	635,000	19,669
02-03 Interfund Transfer											
Districtwide	470,000	452,226			452,226	17,774		470,000		470,000	17,774
Transfer Out to General Fund				12,774	12,774	(12,774)		0			(12,774)
TOTAL 02-03 INTERFUND TRANSFERS	470,000	452,226	-	12,774	465,000	5,000	-	470,000	-	470,000	5,000
04-05 Interfund Transfers											
	1,314,005	1,228,380			1,228,380	85,625		1,314,005		1,314,005	85,625
Transfer Out to General Fund				4,624	4,624	(4,624)		0			(4,624)
TOTAL 04-05 INTERFUND TRANSFERS	1,314,005	1,228,380	-	4,624	1,233,004	81,001	-	1,314,005	-	1,314,005	81,001
06-07 Interfund Transfers											
	1,004,464	930,534			930,534	73,930		1,004,464		1,004,464	73,930
Transfer Out to General Fund				38,930	38,930	(38,930)		0			(38,930)
TOTAL 06-07 INTERFUND TRANSFERS	1,004,464	930,534	-	38,930	969,464	35,000	-	1,004,464	-	1,004,464	35,000
08-09 Bond Authorization-never bonded											
	670,000	600,554			600,554	69,446		670,000		670,000	69,446
Transfer Out to General Fund				69,446	69,446	(69,446)		0			(69,446)
TOTAL 08-09 INTERFUND TRANSFERS	670,000	600,554	-	69,446	670,000	(0)	-	670,000	-	670,000	(0)
10-11 Interfund Transfer											
	255,000	220,987			220,987	34,013		255,000		255,000	34,013
Transfer Out to General Fund				14,013	14,013	(14,013)		0			(14,013)
TOTAL 10-11 INTERFUND TRANSFERS	255,000	220,987	-	14,013	235,000	20,000	-	255,000	-	255,000	20,000
11-12 Interfund Transfer - Admin. Generator	250,000	138,778			138,778	111,222		250,000		250,000	111,222
12-13 Interfund Transfers											
	1,250,000	809,886	193,494		1,003,380	246,620		1,250,000		1,250,000	246,620
Transfer Out to General Fund				93,522	93,522	(93,522)		0			(93,522)
TOTAL 12-13 INTERFUND TRANSFERS	1,250,000	809,886	193,494	93,522	1,096,902	153,098	-	1,250,000	-	1,250,000	153,098
13-14 Interfund Transfers	250,000		35,937		35,937	214,063		250,000		250,000	214,063
Total Capital Outlay	114,930,512	81,788,527	1,704,820	325,035	83,818,382	31,112,130	76,663,805	6,353,469	92,000	83,109,274	(709,108)
Other items:											
13-14 Capital Lease - Computers	981,219		981,219		981,219		981,219			981,219	-
BOCES - Capital Improvements	592,751		592,751		592,751						(592,751)
Total Other Items	1,573,970	-	1,573,970	-	1,573,970	-	981,219	-	-	981,219	(592,751)
Total	\$116,504,482	\$81,788,527	\$3,278,790	\$325,035	\$85,392,352	\$31,112,130	\$77,645,024	\$6,353,469	\$92,000	\$84,090,493	(\$1,301,859)

**BEDFORD CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2014**

Capital assets, net		\$103,957,965
Deduct:		
Defeasance gain	\$612,923	
Short-term portion of bonds payable	4,160,000	
Long-term portion of bonds payable	47,800,000	
Short-term portion of installment debt	692,426	
Long-term portion of installment debt	<u>698,671</u>	<u>53,964,020</u>
Net investment in capital assets		<u><u>\$49,993,945</u></u>



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

To the Board of Education
Bedford Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of Bedford Central School District, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Bedford Central School District's basic financial statements, and have issued our report thereon dated October 7, 2014.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bedford Central 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 7, 2014