

**BEDFORD CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

BEDFORD CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

I. INDEPENDENT AUDITOR'S REPORT, MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS

Independent Auditor's Report

<u>Exhibit Number</u>		<u>Page</u>
1	Management's Discussion and Analysis (Required Supplementary Information) (MD&A)	1 - 17
2	Statement of Net Position	18
3	Statement of Activities	19
4	Balance Sheet – Governmental Funds	20
5	Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	21
6	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
7	Reconciliation of Governmental Fund Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
8	Statement of Fiduciary Net Position – Fiduciary Funds	24
9	Statement of Changes in Fiduciary Net Position – Fiduciary Funds	25
10	Notes to Financial Statements	26 - 63

II. REQUIRED SUPPLEMENTARY INFORMATION

SS1	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	64 - 65
SS2	Schedule of Funding Progress for Other Post-Employment Benefits	66
SS3	Schedule of District's Proportionate Share of the Net Pension Liability	67
SS4	Schedule of District's Contributions	68

III. OTHER SUPPLEMENTARY INFORMATION

SS5	Schedule of Change from Adopted Budget to Final Budget – General Fund and and Section 1318 of Real Property Tax Law Limit Calculation	69
SS6	Schedule of Project Expenditures - Capital Projects Fund	70
SS7	Net Investment in Capital Assets	71

IV. 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*



R.S. ABRAMS & CO., LLP

Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926–2014)

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of Bedford Central School District, as of June 30, 2015, 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.

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749

WHITE PLAINS: 50 MAIN STREET, SUITE 1000 • WHITE PLAINS, NY 10606

PHONE: (631) 234-4444 • FAX: (631) 234-4234

www.rsabrams.com

Emphasis of Matter - Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, Bedford Central School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 17 and 64 through 68, 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.

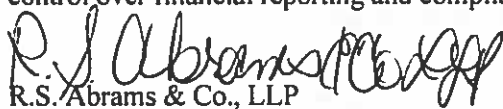
Other Information

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, 2015 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

Islandia, NY

October 7, 2015

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015. 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 1.57% primarily as a result of an increase in property taxes and program revenues.
- On the District-Wide Financial Statements, expenses decreased by 9.04% as a result of a net credit reported by the State pension systems resulting from the implementation of Government Accounting Standards Board ("GASB") Statement No. 68. *Accounting and Financial reporting for Pensions – An Amendment of GASB Statement No. 27 and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.*
- The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.* This resulted in the District recording a net pension liability of \$1,817,080 for fiscal year ending June 30, 2015, for the Employees' Retirement System, and a net pension asset of \$37,408,471 for the Teachers' Retirement System. The net pension liability / (asset) is the total cost of future pension benefit payments that have already been earned, minus the value of assets available to make the benefits (the net position of the plan). The District also recorded deferred outflows and inflows related to pensions, which will be recognized in future periods. Please refer to Note 1V and 13 for more information.
- On the Government Funds Financial Statement total fund balance decreased by 78% or \$9.3 million primarily due to general fund operating expenses exceeding revenues by \$1.6 million, capital project costs exceeding revenue sources by \$7.6 million, food service expenditures exceeding revenues by \$125K. The capital fund will realize revenue sources when projects are bonded in the future.
- The District refunded the 2005 and 2006 serial bonds, and as a result of this, obtained an economic gain on the transactions (the difference between the present value of the debt service payments on the old and new debt) of \$2,885,125.
- On May 19, 2015, the District's residents authorized the proposed 2015-2016 general fund budget in the amount of \$127,199,424.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.
- 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

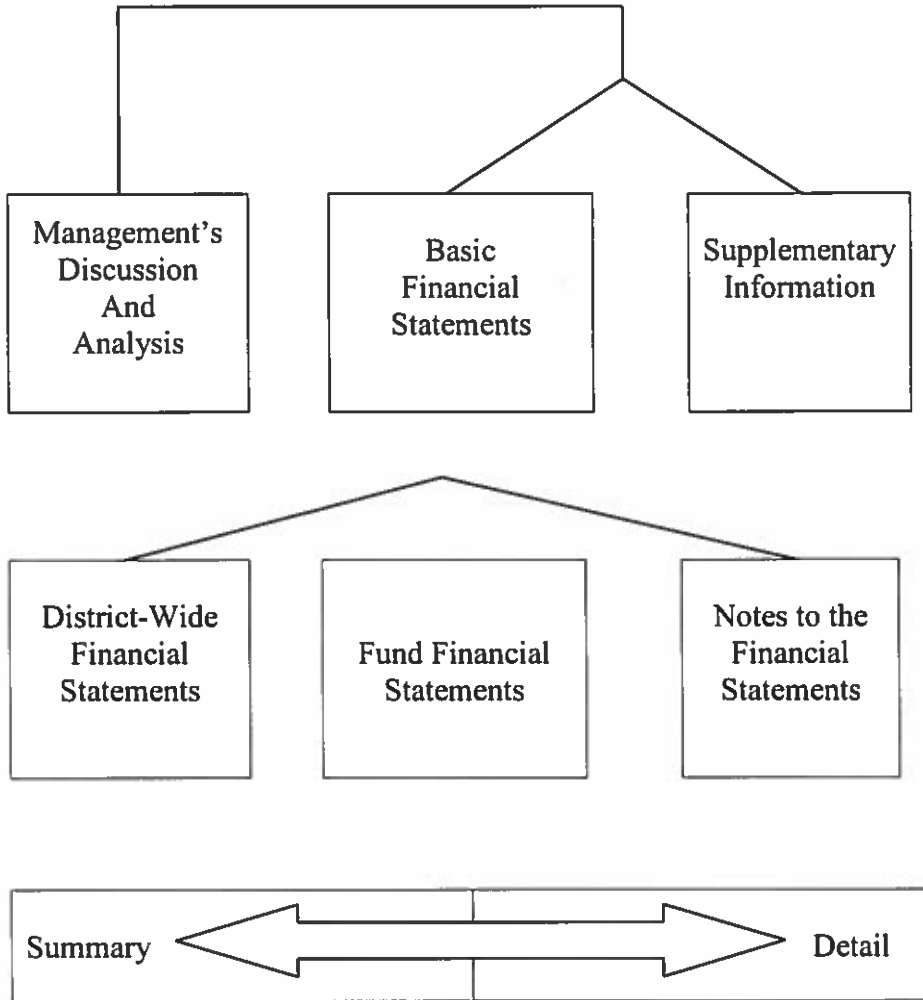


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and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

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015**

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, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases and decreases in 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.

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; and
 - *Unrestricted net position* are net position that do not meet any of the above restrictions.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 aid fund, food service fund, debt service fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

ii) Fiduciary funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position:

The District's total net position increased by \$1,457,415 in the fiscal year ended June 30, 2015 as detailed in Table A-3.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

	Fiscal Year 2015	Fiscal Year 2014*	Increase/ (Decrease)	Total Percentage Change
Current assets	\$29,653,551	\$24,957,974	\$4,695,577	18.81%
Capital assets, net	108,542,291	103,957,965	4,584,326	4.41%
Net pension asset - proportionate share	37,408,471	2,232,414	35,176,057	1575.70%
Total Assets	175,604,313	131,148,353	44,455,960	33.90%
Deferred outflows of resources	9,999,484	8,855,317	1,144,167	12.92%
Total Assets and Deferred outflows of resources	\$185,603,797	\$140,003,670	\$45,600,127	32.57%
Other liabilities	27,340,229	13,405,319	\$13,934,910	103.95%
Long-term liabilities	137,034,069	133,872,465	3,161,604	2.36%
Total Liabilities	164,374,298	147,277,784	17,096,514	11.61%
Deferred inflows of resources	27,659,121	612,923	27,046,198	4412.66%
Total Liabilities and Deferred inflows of resources	192,033,419	147,890,707	44,142,712	29.85%
Net position				
Net investment in capital assets	47,340,075	49,993,945	(\$2,653,870)	-5.31%
Restricted	3,511,142	3,962,449	(451,307)	-11.39%
Unrestricted (deficit)	(57,280,839)	(61,843,431)	4,562,592	-7.38%
Total Net position (deficit)	(6,429,622)	(7,887,037)	1,457,415	18.48%
Total Liabilities, Deferred inflows of resources and Net position	\$185,603,797	\$140,003,670	\$45,600,127	32.57%

*As restated for implementation of GASB Statements No. 68 and No. 71, see Note 1V and 13.

Current assets increased by \$4,695,577 from 2014 to 2015 primarily due to increases to cash and due from other governments (primarily tuition receivables). Capital assets (net of depreciation) increased by \$4,584,326. This was primarily attributable to the District's capital construction in progress. The implementation of GASB Statement No. 68 and No. 71 resulted in an increase in the net pension asset – proportionate share of \$35,176,057.

Deferred outflows and deferred inflows of resources increased primarily as a result of actuarial adjustments in the state pension plans that will be amortized over future years, offset by amortization of the gain on defeasance.

Other liabilities increased by \$13,934,910 primarily due to the issuance of Bond Anticipation Notes totaling \$12,196,248 for District and BOCES capital construction projects. Long term liabilities increased by \$3,161,604 primarily due to an increase in the net other post employment benefits obligation offset by a decrease in bonds payable. Deferred inflows of resources increased by \$27,046,198 primarily due to the recognition of pension expenses being deferred until a future period to which they are related as per GASB Statement No. 68.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 decreased from the prior year by \$2,653,870 primarily due to capital additions offset by depreciation and related debt.

The restricted net position in the amount of \$3,511,142 is comprised of amounts with constraints placed on the use externally imposed by creditors, grantors and contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions of enabling legislation. See page 13 of this MD&A and Note 1 to the Financial Statements for further descriptions and detailed balances.

The unrestricted net deficit of \$57,280,839 relates to the balance of the District's net position.

Overall, the net position increased by \$1,457,415.

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, 2014 and 2015 are as follows:

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

(Governmental Activities Only)

	Fiscal Year 2015	Fiscal Year 2014*	Increase/ (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	\$3,121,892	\$2,937,790	\$184,102	6.27%
Operating grants	3,296,141	3,159,467	136,674	4.33%
General revenues				
Property and non-property taxes and other tax items	114,577,277	112,972,579	1,604,698	1.42%
State sources	5,643,122	5,583,024	60,098	1.08%
Use of money and property	574,595	477,474	97,121	20.34%
Other	924,033	1,024,370	(100,337)	-9.79%
Total revenues	<u>128,137,060</u>	<u>126,154,704</u>	<u>1,982,356</u>	1.57%
Expenses				
General support	\$17,271,495	\$17,308,833	(\$37,338)	-0.22%
Instruction	97,418,427	109,617,493	(12,199,066)	-11.13%
Pupil transportation	8,803,423	8,585,794	217,629	2.53%
Debt service - interest	1,499,100	2,338,075	(838,975)	-35.88%
Food service program	1,687,200	1,415,221	271,979	19.22%
Total expenses	<u>126,679,645</u>	<u>139,265,416</u>	<u>(12,585,771)</u>	-9.04%
Increase (decrease) in net position	<u>\$1,457,415</u>	<u>(\$13,110,712)</u>	<u>\$14,568,127</u>	111.12%

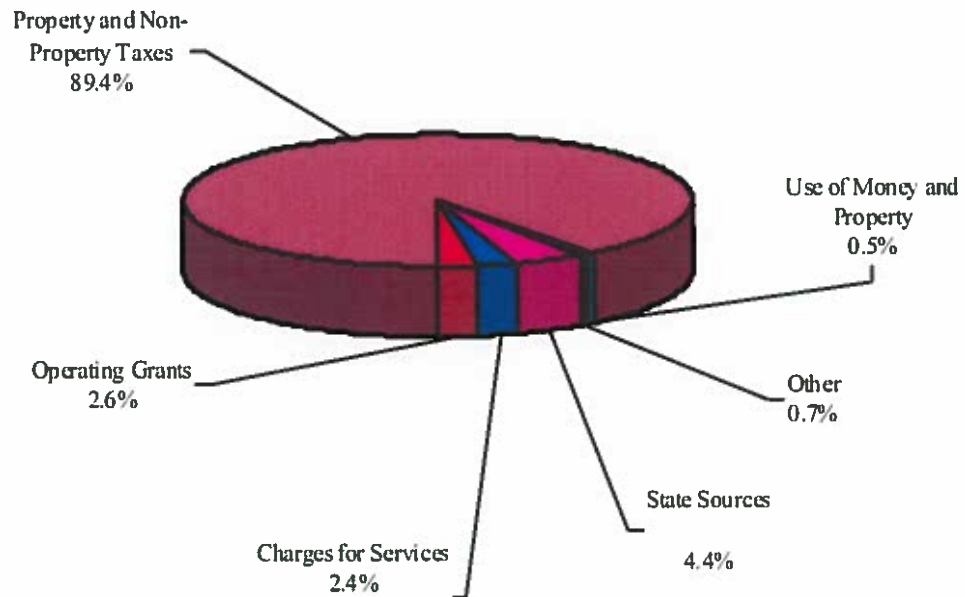
*The 2014 information was not restated because all the information necessary was not readily available. The cumulative effect of applying the change of accounting principle is shown as an adjustment to the beginning net position. See Note 13 for more information.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The District's total fiscal year 2015 revenues totaled \$128,137,060 (See Table A-4). Property taxes and non-property taxes, as well as state sources accounted for most of the District's revenue by contributing 89.4% and 4.4% 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.

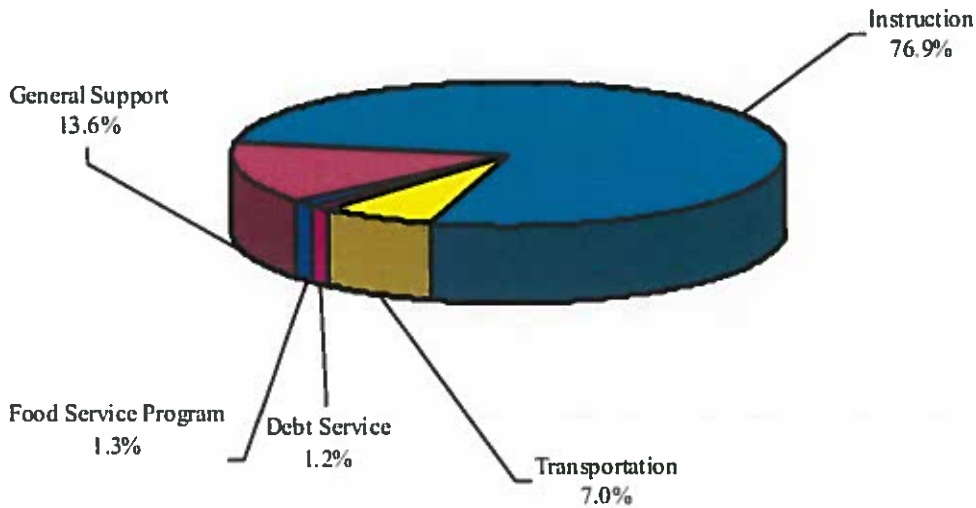
The total cost of all programs and services totaled \$126,679,645 for fiscal year 2015. These expenses are predominantly related to instruction and caring for (pupil services) and transporting students, which account for 83.9% of district expenses. (See Table A-6). The District's general support activities accounted for 13.6% of total costs.

Table A-5: Revenues for Fiscal Year 2015 (See Table A-4)



**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Table A-6: Expenses for Fiscal Year 2015 (See Tables A-4 and A-7)



C) Governmental Activities

Revenues for the District's governmental activities totaled \$128,137,060 while total expenses equaled \$126,679,645. The increase in net position for governmental activities was \$1,457,415 in 2015.

Table A-7 presents the cost of major District activities: general support, instruction, pupil transportation, debt service and food service programs. 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2015	2014	2015	2014
General Support	\$17,271,495	\$17,308,833	\$17,271,495	\$17,308,833
Instruction	97,418,427	109,617,493	92,819,704	105,321,143
Pupil Transportation	8,803,423	8,585,794	8,639,379	8,414,205
Debt Service - Interest	1,499,100	2,338,075	1,499,100	2,338,075
Food Service Program	1,687,200	1,415,221	31,934	(214,096)
Total	\$126,679,645	\$139,265,416	\$120,261,612	\$133,168,160

- The cost of all governmental activities this year was \$126,679,645. (Statement of Activities, Expenses column-see Exhibit 3)
- The users of the District's programs financed \$3,121,892 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 \$3,296,141. (Statement of Activities, Operating Grants and Contributions column – see Exhibit 3)
- 99% of the District's net costs of \$120,261,612 were financed by District taxpayers and state aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3).

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2015, the District's combined governmental funds reported a total fund balance of \$2,580,644, which is a decrease of \$9,268,501 from the prior year.

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

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Fiscal Year 2015	Fiscal Year 2014	Increase/ (Decrease)	Total Percentage Change
General Fund				
Restricted for tax certiorari	\$1,681,372	\$2,173,243	(\$491,871)	-22.63%
Restricted for retirement contributions	730,205	729,521	684	0.09%
Restricted for repairs	81,459	81,383	76	0.09%
Restricted for employee benefit accrued liability	461,814	494,039	(32,225)	-6.52%
Restricted for unemployment benefits	254,429	254,190	239	0.09%
Restricted for insurance	74,720	79,646	(4,926)	-6.18%
Assigned-designated for subsequent year's expenditures	2,600,000	3,000,000	(400,000)	-13.33%
Assigned-general support	242,036	281,845	(39,809)	-14.12%
Assigned-instruction	198,662	479,855	(281,193)	-58.60%
Assigned-pupil transportation	-	85	(85)	N/A
Assigned-employee benefits	-	2,000	(2,000)	N/A
Unassigned	4,194,157	4,571,767	(377,610)	-8.26%
Total fund balance - general fund	\$10,518,854	\$12,147,574	(\$1,628,720)	-13.41%
School Food Service Fund				
Nonspendable - inventory	\$4,276	\$14,869	(\$10,593)	-71.24%
Assigned - unappropriated	723,308	838,134	(114,826)	-13.70%
Total fund balance - School Food Service Fund	727,584	853,003	(125,419)	-14.70%
Debt Service Fund				
Restricted	227,143	150,427	76,716	51.00%
Total fund balance - debt service fund	227,143	150,427	76,716	51.00%
Capital Projects Fund				
Unassigned	(8,892,937)	(1,301,859)	(7,591,078)	
Total fund balance - capital projects fund	(8,892,937)	(1,301,859)	(7,591,078)	583.10%
Total Fund Balance - All funds	\$2,580,644	\$11,849,145	(\$9,268,501)	-78.22%

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The decrease of \$1,628,720 in the total fund balance of the general fund is primarily reflected by the reduction in restricted reserves, assigned-designated for the 2015-2016 budget, the reduction of assigned open year-end encumbrances and a reduced unassigned fund balance.

The decrease in fund balance for school food service fund can be attributed to an operating deficit due to increased program equipment purchases.

The increase in debt service fund can be attributable to the bond premium and interest earnings offset by an interfund transfer to general fund.

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

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2014-2015 Budget

The District's voter approved general fund adopted budget for the year ended June 30, 2015 was \$126,500,000. This amount was increased by encumbrances carried forward from the prior year in the amount of \$763,785 and budget revisions of \$593,738, which resulted in a final budget of \$127,857,523. 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 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	\$ 4,571,767
Revenues over Budget	334,244
Expenditures and Encumbrances Under Budget	1,665,505
Changes in Restricted Fund Balances (net)	528,023
Use of Restricted Fund Balances	(305,382)
Assigned, designated for June 30, 2016 Budget	<u>(2,600,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 4,194,157</u>

The unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent years' taxes. This amount is limited to 4% of the 2015-2016 budget for a maximum allowable unassigned fund balance of \$5,087,977.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The revenues over budget in the amount of \$334,244 were primarily due to, charges for services, transfer in from the capital projects fund, and other unclassified revenues, offset by a shortfall in State sources and 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 \$1,665,505 were primarily attributable to expenditure savings in general support (central services), instruction, employee benefits and debt service (due to refunding) (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.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2015. 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 2015	Fiscal Year 2014	Increase / (Decrease)	Percentage Change
Land	\$2,021,645	\$2,021,645	\$ -	0.00%
Construction in progress	7,859,666	1,356,100	6,503,566	479.58%
Buildings & improvements	134,862,082	134,634,713	227,369	0.17%
Machinery & equipment	5,170,196	4,360,881	809,315	18.56%
Subtotal	<u>149,913,589</u>	<u>142,373,339</u>	<u>7,540,250</u>	5.30%
Less: Accumulated depreciation	<u>41,371,298</u>	<u>38,415,374</u>	<u>2,955,924</u>	7.69%
Total Net Capital Assets	<u>\$108,542,291</u>	<u>\$103,957,965</u>	<u>\$4,584,326</u>	4.41%

During the year the District spent \$6,731,872 of capital projects fund and \$829,314 of other governmental fund expenditures on increases to capital assets. During the year \$20,000 of fully depreciated machinery and equipment were retired. Depreciation expense for the year was \$2,975,924.

B) Long-Term Debt

At June 30, 2015, the District had total bonds payable of \$46,395,000 and installment purchase debt of \$1,818,980. The bonds were issued for district-wide projects. The decrease in outstanding debt represents the difference between the borrowing and payments of principal in addition to a refunding

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

of two bonds. An increase of \$1,433,289 was for newly issued installment purchase debt payable offset by principal payments of \$1,005,406 in the current year. A summary of outstanding debt at June 30, 2015 and 2014 is as follows:

	2015	2014	Increase (Decrease)
Improvements to school buildings	\$1,450,000	\$21,150,000	(\$19,700,000)
Improvements to school buildings	1,000,000	14,525,000	(13,525,000)
Improvements to school buildings	2,315,000	2,450,000	(135,000)
Refunding bonds 2008	825,000	1,235,000	(410,000)
Refunding bonds 2012	11,360,000	12,600,000	(1,240,000)
Refunding bonds 2014	29,445,000	-	29,445,000
Total bonds	<u>\$46,395,000</u>	<u>\$51,960,000</u>	<u>(\$5,565,000)</u>
Installment purchase debt	<u>1,818,980</u>	<u>1,391,097</u>	<u>427,883</u>
Total	<u><u>\$48,213,980</u></u>	<u><u>\$53,351,097</u></u>	<u><u>(\$5,137,117)</u></u>

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A) The voters approved the general fund budget in the amount of \$127,199,424 for the school year 2015-2016. This is an increase of \$699,424 or 0.55% over the previous year's budget. The increase was primarily due to increases in instructional costs and offset by a reduction in 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 16, 2015, the District issued \$25,000,000 in Bond Anticipation Notes which renewed the \$11,000,000 BAN and issued an additional \$14,000,000 as short-term financing of the construction project costs. It is anticipated that in the short term the balance of 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 16, 2015, the District issued \$1,704,110 in Bond Anticipation Notes for short-term financing of the District's total obligation for BOCES capital construction projects. This borrowing renewed the original BAN of \$1,196,248 and issued an additional \$507,862. The District is authorized to issue up to 30-year serial bonds for the total obligation.
- D) On July 7, 2015 Moody's Investors Service downgraded the rating from Aa1 to Aa2 on the District's \$46 million in outstanding bonds. Any change in a district's bond rating could have an effect on future debt service costs and impact the District's future budgets.
- E) Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

**BEDFORD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- F)** New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. The District's 2015-2016 property tax increase of 0.62% was below the allowable tax cap of 1.71% and did not require an override vote.
- G)** Last year, New York State 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 with the tax cap. Qualifying homeowners will receive a credit, which will be locally distributed in the form of a check from New York State. 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 was effective for school districts starting with the 2014-15 school year and qualifying homeowners received refund checks in the fall of 2014. This program provides an incentive for the District to be tax cap compliant.

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, 2015

ASSETS	
Cash	
Unrestricted	\$23,074,252
Restricted	3,499,702
Receivables	
Accounts receivable	31,460
State and federal aid	1,747,854
Due from other governments	1,296,007
Inventories	4,276
Net pension asset - proportionate share	37,408,471
Capital assets	
Not being depreciated	9,881,311
Being depreciated, net of accumulated depreciation	<u>98,660,980</u>
TOTAL ASSETS	<u>175,604,313</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>9,999,484</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$185,603,797</u>
LIABILITIES	
Payables	
Accounts payable	\$4,005,436
Accrued liabilities	492,319
Due to other governments	293,389
Due to teachers' retirement system	9,120,109
Due to employees' retirement system	740,244
Accrued interest payable	267,322
Bond Anticipation Note payable	12,196,248
Unearned credits	
Collections in advance	225,162
Long-term liabilities:	
Due and payable within one year	
Bonds payable	4,270,000
Installment purchase debt payable	753,211
Termination benefits payable	385,898
Compensated absences	124,653
Due and payable after one year	
Bonds payable	42,125,000
Installment purchase debt payable	1,065,769
Termination benefits payable	1,505,793
Compensated absences	486,399
Net other post employment benefit obligations payable	84,500,266
Net pension liability - proportionate share	<u>1,817,080</u>
TOTAL LIABILITIES	<u>164,374,298</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	25,670,885
Defeasance gain	<u>1,988,236</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>192,033,419</u>
NET POSITION	
Net investment in capital assets	\$47,340,075
Restricted	
Tax certiorari	1,681,372
Unemployment insurance	254,429
Retirement contribution	730,205
Insurance	74,720
Repairs	81,459
Employee benefit accrued liability	461,814
Debt service	<u>227,143</u>
	3,511,142
Unrestricted (deficit)	<u>(57,280,839)</u>
TOTAL NET POSITION (DEFICIT)	<u>(6,429,622)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$185,603,797</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FUNCTIONS / PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General support	(\$17,271,495)			(\$17,271,495)
Instruction	(97,418,427)	\$2,156,381	\$2,442,342	(92,819,704)
Pupil transportation	(8,803,423)		164,044	(8,639,379)
Debt service - interest	(1,499,100)			(1,499,100)
Food service program	(1,687,200)	965,511	689,755	(31,934)
TOTAL GOVERNMENTAL ACTIVITIES	<u>(\$126,679,645)</u>	<u>\$3,121,892</u>	<u>\$3,296,141</u>	<u>(120,261,612)</u>
GENERAL REVENUES				
Real property taxes				106,622,907
Other tax items - including STAR reimbursement				6,474,493
Non-property taxes				1,479,877
Use of money and property				574,595
Premiums on bond anticipation notes issued				100,369
Forfeitures				1,200
Sale of property & compensation for loss				19,123
State sources				5,643,122
Miscellaneous				803,341
TOTAL GENERAL REVENUES				<u>121,719,027</u>
CHANGE IN NET POSITION				1,457,415
TOTAL NET POSITION - BEGINNING OF YEAR AS RESTATED (SEE NOTE 13)				<u>(7,887,037)</u>
TOTAL NET POSITION - END OF YEAR				<u>(\$6,429,622)</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<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						
Unrestricted	\$15,183,071	\$403,442	\$843,984		\$6,643,755	\$23,074,252
Restricted	3,283,999			\$215,703		3,499,702
Receivables						
Accounts receivable	31,460					31,460
State and federal aid	888,020	807,363	52,471			1,747,854
Due from other governments	1,296,007					1,296,007
Due from other governmental funds	3,216,924			11,440		3,228,364
Due from fiduciary funds						-
Inventories			4,276			4,276
TOTAL ASSETS	<u>\$23,899,481</u>	<u>\$1,210,805</u>	<u>\$900,731</u>	<u>\$227,143</u>	<u>\$6,643,755</u>	<u>\$32,881,915</u>
LIABILITIES						
Payables						
Accounts payable	\$2,625,201	\$122,544	\$116,634		\$1,141,057	\$4,005,436
Accrued liabilities	488,583	3,483	253			492,319
Bond Anticipation Notes					12,196,248	12,196,248
Due to other governmental funds	5,570	1,023,407			2,199,387	3,228,364
Due to other governments	274,460	18,929				293,389
Due to teachers' retirement system	9,120,109					9,120,109
Due to employees' retirement system	740,244					740,244
Unearned credits						
Collections in advance	126,460	42,442	56,260			225,162
TOTAL LIABILITIES	<u>13,380,627</u>	<u>1,210,805</u>	<u>173,147</u>	<u>-</u>	<u>15,536,692</u>	<u>30,301,271</u>
FUND BALANCES						
Nonspendable: Inventory			4,276			4,276
Restricted:						
Tax certiorari	1,681,372					1,681,372
Unemployment insurance	254,429					254,429
Retirement contribution	730,205					730,205
Insurance	74,720					74,720
Repairs	81,459					81,459
Employee benefit accrued liability	461,814					461,814
Debt service				227,143		227,143
Assigned						
Appropriated fund balance	2,600,000					2,600,000
Unappropriated fund balance	440,698		723,308			1,164,006
Unassigned (deficit)	4,194,157				(8,892,937)	(4,698,780)
TOTAL FUND BALANCES (DEFICIT)	<u>10,518,854</u>	<u>-</u>	<u>727,584</u>	<u>227,143</u>	<u>(8,892,937)</u>	<u>2,580,644</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$23,899,481</u>	<u>\$1,210,805</u>	<u>\$900,731</u>	<u>\$227,143</u>	<u>\$6,643,755</u>	<u>\$32,881,915</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Governmental Fund Balances		\$2,580,644
Amounts reported for governmental activities in the Statement of Net Position are different because:		
<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	\$149,913,589	
Accumulated depreciation	<u>(41,371,298)</u>	108,542,291
<p>Defeasance gain - gain on defeasance on the advanced refunding - The Statement of Net Position will amortize the net premium on the advanced refunding over the life of the bond. Governmental funds recorded the gain on defeasance on the advanced refunding as an other financing source in the year of defeasance.</p>		
		(1,988,236)
<p>Governmental funds recognize revenue and expenditures incurred under the modified accrual method. The Statement of Net Position recognizes revenues received and expenditures incurred under the full accrual method. Deferred inflows and outflows related to pensions that will be recognized in future periods amounted to:</p>		
Deferred outflows of resources pensions	\$9,999,484	
Deferred inflows of resources pensions	<u>(25,670,885)</u>	(15,671,401)
<p>Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset-proportionate share at year end for TRS was:</p>		
		37,408,471
<p>Payables - that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:</p>		
Accrued interest on bonds and installment debt		(267,322)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:</p>		
Bonds payable	(\$46,395,000)	
Installment purchase debt payable	(1,818,980)	
Termination benefits payable	(1,891,691)	
Compensated absences	(611,052)	
Net pension liability - porportionate share (ERS)	(1,817,080)	
Net other post employment benefit obligations payable	<u>(84,500,266)</u>	(137,034,069)
Total Net Position (Deficit)		<u>(\$6,429,622)</u>

BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<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	\$106,622,907					\$106,622,907
Other tax items	6,474,493					6,474,493
Non-property taxes	1,479,877					1,479,877
Charges for services	2,156,381					2,156,381
Use of money and property	568,277		\$380	\$5,938		574,595
Forfeitures	1,200					1,200
Sale of property and compensation for loss	19,123					19,123
Miscellaneous	803,341	\$550,259	13,015			1,366,615
State aid	5,643,122	437,130	35,894			6,116,146
Federal aid		1,619,087	554,233			2,173,320
Surplus food			99,628			99,628
Sales			952,406			952,406
TOTAL REVENUES	<u>123,768,721</u>	<u>2,606,476</u>	<u>1,655,556</u>	<u>5,938</u>	<u>-</u>	<u>128,036,691</u>
EXPENDITURES						
General support	12,148,213			267,420		12,415,633
Instruction	64,148,602	2,650,804				66,799,406
Pupil transportation	8,469,246	164,044				8,633,290
Employee benefits	33,366,476	37,060	8,612			33,412,148
Cost of food sales			1,772,363			1,772,363
Debt service - principal	5,230,406					5,230,406
Debt service - interest	1,765,945					1,765,945
Capital outlay					\$9,082,649	9,082,649
TOTAL EXPENDITURES	<u>125,128,888</u>	<u>2,851,908</u>	<u>1,780,975</u>	<u>267,420</u>	<u>9,082,649</u>	<u>139,111,840</u>
EXCESS (DEFICIENCY)						
OF REVENUES OVER EXPENDITURES	<u>(1,360,167)</u>	<u>(245,432)</u>	<u>(125,419)</u>	<u>(261,482)</u>	<u>(9,082,649)</u>	<u>(11,075,149)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from installment debt					1,433,289	1,433,289
Proceeds from refunding bonds				29,510,000		29,510,000
Premiums on bond anticipation notes issued				100,369		100,369
Premium on bonds issued				3,644,420		3,644,420
Payment to refunded bond escrow agent				(32,881,430)		(32,881,430)
Transfers in	353,879	245,432			377,000	976,311
Transfers (out)	(622,432)			(35,161)	(318,718)	(976,311)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(268,553)</u>	<u>245,432</u>	<u>-</u>	<u>338,198</u>	<u>1,491,571</u>	<u>1,806,648</u>
NET CHANGE IN FUND BALANCES	<u>(1,628,720)</u>	<u>-</u>	<u>(125,419)</u>	<u>76,716</u>	<u>(7,591,078)</u>	<u>(9,268,501)</u>
FUND BALANCES - BEGINNING OF YEAR	<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>
FUND BALANCES - END OF YEAR	<u>\$10,518,854</u>	<u>\$ -</u>	<u>\$727,584</u>	<u>\$227,143</u>	<u>(\$8,892,937)</u>	<u>\$ 2,580,644</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances (\$9,268,501)

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating expenses-compensated absences (vacation and sick days) and termination benefits, - 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. The payables for these benefits for the year ended June 30, 2015 changed by:

Termination benefits and compensated absences (162,110)

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. The payables for these benefits for the year ended June 30, 2015 changed by:

(8,750,121)

Increases/decreases in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources:

Teachers' retirement system	\$10,259,831	
Employees' retirement system	<u>1,003,018</u>	11,262,849

Capital Related Items

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

Capital outlays	\$7,561,187	
Depreciation expense and loss on disposal	<u>(2,976,861)</u>	4,584,326

Long-Term Debt Transactions

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, 2014 to June 30, 2015 changed by:

29,168

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.

4,225,000

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.

1,005,406

Proceeds from issuance of refunding bonds is an other 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.

(29,510,000)

Proceeds from installment purchase debt - The Statement of Net Position recognizes proceeds under the full accrual method. Governmental funds recognize proceeds under the modified accrual method.

(1,433,289)

Premium on long-term debt is recorded as an other financing source for governmental funds but is not recorded in the Statement of Activities. This is the amount of premium from long-term debt received in the current year.

(3,644,420)

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.

237,677

Payment to the escrow agent for advanced refunding bonds 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.

32,881,430

Changes in Net Position of Governmental Activities \$1,457,415

**BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash - restricted	\$606,404	\$298,931
Accounts receivable	250	
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$606,654</u></u>	<u><u>\$298,931</u></u>
LIABILITIES		
Student activity funds		\$145,994
Other liabilities		152,937
		<u> </u>
TOTAL LIABILITIES		<u><u>\$298,931</u></u>
NET POSITION		
Restricted for scholarships	\$606,654	
	<u> </u>	
TOTAL NET POSITION	<u><u>606,654</u></u>	
TOTAL LIABILITIES AND NET POSITION	<u><u>\$606,654</u></u>	

**BEDFORD CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$750
Interest and earnings	95
TOTAL ADDITIONS	<u>845</u>
DEDUCTIONS	
Scholarships and awards	44,090
TOTAL DEDUCTIONS	<u>44,090</u>
CHANGE IN NET ASSETS	(43,245)
NET POSITION - BEGINNING OF YEAR	<u>649,899</u>
NET POSITION - END OF YEAR	<u><u>\$606,654</u></u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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. The Board has 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 Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

District's business office. The District reports these assets held by its agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund.

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 due each July were starting with 2013 and ending 2015. The District made its first payment July 2013 from its capital fund. On July 17, 2014, the District issued \$1,196,248 in Bond Anticipation Notes at a net interest cost of .3430% maturing July 17, 2015 for short-term financing of

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

the first two payments of the District's total obligation of \$1,704,110 for BOCES capital construction projects.

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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

E) Real Property taxes:

i) Calendar:

Real property taxes 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other post-employment benefits, workers compensation claims, pension liabilities and assets, 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 inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2015.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 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 and Outflows 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 \$27,659,121 of deferred inflows of resources at June 30, 2015. Of this amount, \$1,988,236 represents the financial effect of a deferred revenue on the advanced refunding of general obligation serial bonds. The deferred inflow of resources resulted from the difference in the net carrying value of the refunded debt over its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. The balance of \$25,670,885 is related to pensions reported in the District-Wide Statement of Net Position. This represents the effect of the difference between expected and actual experience, and projected and actual earnings on pension plan investments (TRS system).

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflow of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows. In subsequent periods, when the availability criterion is met, deferred inflows are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

O) Vested employee benefits:

Compensated absences:

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

Sick leave eligibility and accumulation is specified in 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.

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 No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

Termination benefits:

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

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

BANs issued for capital purposes be converted to long-term financing within five years after the original issue dated.

R) Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, 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).

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:

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- (1) **Non-spendable fund balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. At June 30, 2015 the District has \$4,276 in non-spendable fund balance for inventory recorded in the food service fund.
- (2) **Restricted fund balance** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following as restricted fund balance:

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

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

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

- (3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2015.
- (4) **Assigned fund balance** – Includes amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year’s budget. Assigned fund balance also includes Board designations and encumbrances not classified as restricted or committed at the end of the fiscal year.
- (5) **Unassigned fund balance** – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a 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 #5 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

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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) New Accounting Standards

The District has implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2015:

Statement No. 68, *Accounting and Financial reporting for Pensions – An Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

U) Future Changes in Accounting Standards:

GASB has issued Statement No. 72, *Fair Value Measurement and Application* effective for the year ending June 30, 2016.

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

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

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.

V) Change in Accounting Principles:

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the District to report as an asset and/ or liability, its portion of the collective net pension asset and liability in the New York State Teachers' and Employees' Retirement Systems. The implementation of the statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and /or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

systems not included in pension expense. Also included as a deferred outflow is the District contributions to the pension systems subsequent to the measurement date. See Note 13 for the financial statement impact of implementation of the Statements.

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

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

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

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

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and Statement of Activities fall into one of 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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 Balances based on the requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) **Budgets:**

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted.

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #5.

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

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B) Encumbrances:

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as 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 in the District's name; or
- C) Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2015 included \$3,499,702 within the

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

governmental funds for debt service and general reserve purposes and \$905,335 in the fiduciary funds.

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, 2015 are \$181,672,565 which consists of \$29,509,522 in repurchase agreements collateralized by a U.S. Government Agency Security, \$8,500,000 certificate of deposit federally insured, \$14,992,483 in treasury bills, \$33,020,819 in U.S. Treasuries securities, and \$95,649,741 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	\$728,460
Food service fund	65,280
Capital projects fund	96,164
Debt service fund	215,703
Total	<u>\$1,105,607</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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 5 – PARTICIPATION IN BOCES

During the year ended June 30, 2015, the District was billed \$3,144,394 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$697,574.

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

NOTE 6 – RECEIVABLES:

Accounts receivable in the general fund at June 30, 2015 consisted of the following:

Facilities use/rentals	\$28,583
Miscellaneous fees	1,026
Reimbursements	1,023
Other	828
Total accounts receivable	<u>\$31,460</u>

State and federal aid receivable and due from other governments for all government funds at June 30, 2015 consisted of the following:

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<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	\$518,642			\$518,642
Excess cost aid	260,854			260,854
Lunch - state and federal		\$52,471		52,471
Waste water treatment plant	65,927			65,927
Federal grants			\$216,452	216,452
State and local grants	42,597		590,911	633,508
Total state and federal aid	<u>888,020</u>	<u>52,471</u>	<u>807,363</u>	<u>1,747,854</u>
<u>Due from other governments</u>				
TRS refund	123,848			123,848
Sales tax	374,426			374,426
Tuition and health services	778,188			778,188
BOCES refund	16,369			16,369
STAR reimbursement	3,176			3,176
Total due from other governments	<u>1,296,007</u>	<u>-</u>	<u>-</u>	<u>1,296,007</u>
Total	<u>\$2,184,027</u>	<u>\$52,471</u>	<u>\$807,363</u>	<u>\$3,043,861</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, 2015**

NOTE 7 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2015 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	\$ 6,504,503	\$ (937)	7,859,666
Total capital assets not being depreciated	<u>3,377,745</u>	<u>6,504,503</u>	<u>(937)</u>	<u>9,881,311</u>
Capital assets being depreciated:				
Building & improvements	134,634,713	227,369		134,862,082
Machinery & equipment	4,360,881	829,315	(20,000)	5,170,196
Total capital assets being depreciated	<u>138,995,594</u>	<u>1,056,684</u>	<u>(20,000)</u>	<u>140,032,278</u>
Less accumulated depreciation:				
Building & building Improvements	35,715,205	2,590,636		38,305,841
Machinery & equipment	2,700,170	385,288	(20,000)	3,065,458
Total accumulated depreciation	<u>38,415,375</u>	<u>2,975,924</u>	<u>(20,000)</u>	<u>41,371,298</u>
Total capital assets being depreciated, net	<u>100,580,219</u>	<u>(1,919,240)</u>	<u>-</u>	<u>98,660,980</u>
Total capital assets, net	<u>\$103,957,964</u>	<u>\$4,585,263</u>	<u>\$ (937)</u>	<u>\$108,542,291</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$117,533
Instruction	2,847,435
Pupil Transportation	3,652
Food Service Program	7,304
Total depreciation expense	<u>\$2,975,924</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 8 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$3,216,924	\$5,570	\$353,879	\$ 622,432
Special aid fund		1,023,407	245,432	
Debt service fund	11,440			35,161
Capital projects fund		2,199,387	377,000	318,718
Total government activities	<u>\$ 3,228,364</u>	<u>\$ 3,228,364</u>	<u>\$ 976,311</u>	<u>\$ 976,311</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 general 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, 2015 consisted of:

General fund	
Donations/Grants - field trips	\$14,547
Donations - other purposes	78,623
Elementary bike run	24,036
Health reimbursements	7,620
Driver's education	1,634
Total	<u>\$126,460</u>
Special aid fund	
Unearned revenues from state and local grants	<u>\$42,442</u>
Food Service Fund	
Prepaid meals and charged meals	<u>\$56,260</u>
Total collections in advance	<u>\$225,162</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 10 - SHORT-TERM DEBT:

Short-term debt activity for the year is summarized below:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	7/17/2015	0.3430%	\$ -	\$ 1,196,248	\$ -	\$ 1,196,248
BAN	7/17/2015	0.1590%	-	11,000,000	-	11,000,000
			<u>\$ -</u>	<u>\$ 12,196,248</u>	<u>\$ -</u>	<u>\$ 12,196,248</u>

The Bond Anticipation Note for \$1,196,248 was issued for short term financing for BOCES capital construction projects. The Bond Anticipation Note for \$11,000,000 was issued for interim financing for the capital projects fund.

There was no interest paid on short-term debt.

NOTE 11 – LONG-TERM LIABILITIES:

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt:					
Bonds payable	\$51,960,000	\$29,510,000	\$35,075,000	\$46,395,000	\$4,270,000
Installment purchase debt payable	1,391,097	1,433,289	1,005,406	1,818,980	753,211
Other long-term liabilities:					
Compensated absences*	625,266 *		14,214	611,052	124,653
Termination benefits payable*	1,715,367 *	176,324		1,891,691	385,898
Net other post employment benefit obligations payable	75,750,145	14,288,747	5,538,626	84,500,266	
Net pension liability - proportionate share•	2,430,590 •	1,183,829	1,797,339	1,817,080	
Total long-term liabilities	<u>\$133,872,465</u>	<u>\$46,592,189</u>	<u>\$43,430,585</u>	<u>\$137,034,069</u>	<u>\$5,533,762</u>

• As restated.

* Beginning balance amounts have been separated to show amounts that relate to termination benefits payable and compensated absences.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

A) Bonds Payable

Bonds payable is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Improvement to school buildings	2005	2016	3.50 - 5.00%	\$1,450,000
Improvement to school buildings	2006	2016	3.50 - 4.50%	1,000,000
Improvement to school buildings	2008	2028	3.50 - 5.00%	2,315,000
Refunding bonds 2008	2008	2026	3.00 - 5.00%	825,000
Refunding bonds 2012	2012	2023	2.00 - 4.00%	11,360,000
Refunding bonds 2014	2014	2025	2.00 - 5.00%	29,445,000
				<u>\$46,395,000</u>

On July 31, 2014 the District issued \$29,510,000 in serial bonds with an average interest rate of 4.5% to advance refund \$18,300,000 and \$12,550,000 of outstanding 2005 and 2006 serial bonds with an average interest rate of 2.25%. The net proceeds of \$32,881,430 (including a premium of \$3,644,420 and after payment of \$272,989 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2005 and 2006 serial bonds. As a result, the 2005 and 2006 serial bonds are considered to be defeased and the liability for those bonds have been removed from the government wide Statement of Net Position. The District refunded the 2005 and 2006 serial bonds to reduce its total debt service payments and to obtain an economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) of \$2,885,125.

In the prior and current 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.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2016	\$4,270,000	\$1,841,825	\$6,111,825
2017	4,265,000	1,627,850	5,892,850
2018	4,025,000	1,423,775	5,448,775
2019	4,190,000	1,232,550	5,422,550
2020	4,410,000	1,033,950	5,443,950
2021 - 2025	21,140,000	2,339,328	23,479,328
2026 - 2028	4,095,000	100,669	4,195,669
	<u>\$46,395,000</u>	<u>\$9,599,947</u>	<u>\$55,994,947</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 in serial bonds for up to 30 years to finance the projects. These bonds have not been issued yet leaving authorized but unissued debt in the amount of \$31,828,238. A Bond Anticipation Note has been issued for \$11,000,000 in 2015 as short-term financing of the construction project costs.

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. These bonds have not been issued yet leaving authorized but unissued debt in the amount of \$1,704,110. A Bond Anticipation Note has been issued for \$1,196,248 in 2015 as short-term financing of the District's total obligation for BOCES capital construction projects.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

B) Installment Purchase Debt

Installment purchase debt is comprised of the following:

Fiscal Year Ended June 30,	Principal	Interest	Total
2016	\$753,211	\$18,067	\$771,278
2017	586,808	9,470	596,278
2018	340,991	3,118	344,109
2019	118,260	-	118,260
2020	19,710	-	19,710
	<u>\$1,818,980</u>	<u>\$30,655</u>	<u>\$1,849,635</u>

C) Long-Term Interest

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

Interest paid	<u>\$1,765,945</u>
Less interest accrued in the prior year	(296,490)
Plus interest accrued in the current year	267,322
Less amortization of gain on defeasance	<u>(237,677)</u>
Total expense	<u>\$1,499,100</u>

NOTE 12 – DEFERRED INFLOWS OF RESOURCES – GAIN ON DEFEASANCE:

The gain on defeasance pertaining to the 2009, 2011 and 2014 refunding is recorded in the District-Wide Financial Statements as deferred inflows of resources. The gain on defeasance on the advanced refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 9 years, 11 years and 11 years, respectively.

The combined gain on defeasance pertaining to the 2009, 2011 and 2014 refunding at June 30, 2015 consisted of the following:

Deferred amounts on refunding	\$2,332,760
Bond premium	<u>(4,320,996)</u>
Total gain on defeasance	<u>(\$1,988,236)</u>

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 13 – PENSION PLANS:

A) Plan Description and Benefits Provided

i) Teachers' Retirement System

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

ii) Employees' Retirement System

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

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

B) Funding policies:

The Systems are noncontributory, except as follows:

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

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

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

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

	<u>NYSTRS</u>	<u>NYSERS</u>
2015	\$8,807,921	\$2,671,065
2014	\$8,060,996	\$2,800,073
2013	\$5,881,750	\$2,608,776

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

At June 30, 2015, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2015 for ERS and June 30, 2014 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2015	June 30, 2014
Net pension asset/(liability)	\$ (1,817,080)	\$ 37,408,471
District's portion of the Plan's total net pension asset/(liability)	0.0537877%	0.335822%

For the year ended June 30, 2015, the District recognized pension expense of \$1,648,607 for ERS and (\$1,463,754) for TRS. At June 30, 2015 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>		<u>Deferred Inflow of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 58,167			\$ 547,030
Net difference between projected and actual earnings on pension plan investments	315,604	\$ 19,578		25,123,855
Changes in proportion and differences between the District's contributions and proportionate share of contributions	69,814			
District's contributions subsequent to the measurement date	740,244	8,796,077		
	<u>\$ 1,183,829</u>	<u>\$ 8,815,655</u>	<u>\$ -</u>	<u>\$ 25,670,885</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>ERS</u>	<u>TRS</u>
Plan Year ended:		
2015		\$ (6,342,295)
2016	\$ 110,896	\$ (6,342,295)
2017	\$ 110,896	\$ (6,342,295)
2018	\$ 110,896	\$ (6,342,295)
2019	\$ 110,897	\$ (61,332)
Thereafter		\$ (220,794)

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2015	June 30, 2014
Actuarial valuation date	April 1, 2014	June 30, 2013
Interest rate	7.5%	8%
Salary scale	4.90%	4.01% - 10.91%
Decrement tables	April 1, 2005 - March 31, 2010 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.70%	3.0%

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

For ERS, the actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010. For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

<u>Measurement date</u>	<u>ERS</u> March 31, 2015	<u>TRS</u> June 30, 2014
<u>Asset type</u>		
Domestic equity	7.30%	7.30%
International equity	8.55%	8.50%
Private equity	11.00%	
Real estate	8.25%	5.00%
Absolute return strategies	6.75%	
Opportunistic portfolio	8.60%	
Real assets	8.65%	
Bonds and mortgages	4.00%	
Cash	2.25%	
Inflation-indexed bonds	4.00%	
Alternative investments		11.00%
Domestic fixed income securities		1.50%
Global fixed income securities		1.40%
Mortgages		3.40%
Short-term		0.80%

Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for ERS and 8% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.5% for ERS and 8% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.5% for ERS and 7% for TRS) or 1-percentagepoint higher (8.5% for ERS and 9% for TRS) than the current rate:

<u>ERS</u>	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension asset (liability)	(\$12,111,621)	(\$1,817,080)	\$6,874,066

<u>TRS</u>	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension asset (liability)	\$806,953	\$37,408,471	\$68,598,048

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Valuation date	April 1, 2014	June 30, 2013
Employers' total pension liability	\$ (164,591,504)	\$(97,015,707)
Plan Fiduciary Net Position	161,213,259	108,155,083
Employers' net pension asset/(liability)	<u>\$ (3,378,245)</u>	<u>\$ 11,139,376</u>
 Ratio of plan fiduciary net position to the Employers' total pension asset/(liability)	 97.95%	 111.48%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2015

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to \$740,244.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2015 are paid to the System in September, October and November 2015 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2015 represent employee and employer contributions for the fiscal year ended June 30, 2015 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2015 amounted to \$9,120,109.

Restatement of Net Position

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, and liability related to the District's participation in the New York State Teachers' and Employees' retirement systems. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	\$ (16,544,178)
GASB Statement No. 68 implementation	
Beginning System asset - Teachers' Retirement System	2,232,414
Beginning System liability - Employees' Retirement System	(2,430,590)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	
Teachers' Retirement System	8,060,996
Employees' Retirement System	794,321
	794,321
Net position beginning of year, as restated	\$ (7,887,037)

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, 2015, totaled \$22,000 and \$2,824,970 respectively.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015, the District contributed \$5,538,626 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.

C) Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$15,470,893
Interest on net OPEB obligation	3,030,006
Adjustment to Annual Required Contribution	<u>(4,212,152)</u>
Annual OPEB cost (expense)	14,288,747
Contributions made	<u>(5,538,626)</u>
Increase in net OPEB obligation	8,750,121
Net OPEB obligation-beginning of year	<u>75,750,145</u>
Net OPEB obligation-end of year	<u><u>\$84,500,266</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 and the preceding two years was as follows:

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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
June 30, 2015	\$15,470,893	\$14,288,746	\$5,538,626	39%	\$84,500,266

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$161,849,383, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$161,849,383. The covered payroll (annual payroll of active employees covered by the plan) was \$66,818,467 and the ratio of the UAAL to the covered payroll was 242.2%.

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, 2014 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 5.2% initially, reduced by decrements to an ultimate rate of 4.2% after 65 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

NOTE 15 – TERMINATION BENEFITS PAYABLE:

The District offers a retirement award to teachers and non-instructional staff outlined in their employment contracts. For teachers, a retirement award of one percent (1%), of the final year's

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

salary, for each year of teaching service, is available to those who have been in the employ of the District for at least 10 years and who have sufficient service credit with the New York State Teachers' Retirement System or a teacher who has not yet reached age 55 but has served 25 years and submits a notice of retirement from public education in New York State. Those who submit their resignation by May 1st of the year prior to the last year before retirement, shall be paid in addition to and as part of their regular salary, during the last year before retirement. Notices made at later dates will cause deferral of payment until the year following retirement. For non-instructional staff, hired before November 13, 1998 who have at least 20 years of service, a retirement award of one and one quarter percent (1.25%) for each year of service, of the final year's salary, is available to those who are eligible to retire with pension benefits pursuant to New York State Employees' Retirement System. Those eligible employees who have served at least 10 years but less than 20 years shall receive the award at three quarters of one percent (.75%) of final pay for each year of service. Notification to the District is required five or more months prior to the date of retirement. The current value of retirement awards earned is \$1,891,691 and is recorded as a long-term liability on the Statement of Net Position.

NOTE 16 – RISK MANAGEMENT:

A) General:

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

B) 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 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, 2015 was \$23,025,235 with a discount rate of 2.0%. The District's share of the liability for unbilled and open claims is \$1,078,732. The District also maintains a fund balance of \$1,674,394 with the Workers' Compensation Plan. Therefore, the District did not have a net long-term liability.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 17 – FUND BALANCES - ASSIGNED:

A) Assigned: Appropriated:

The amount of \$2,600,000 has been appropriated to partially fund the general fund budget for the year ending June 30, 2016.

B) Assigned: Encumbered:

At June 30, 2015, 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	\$ 242,036			\$ 242,036
Instruction	198,662			198,662
Food service		\$ 74,693		74,693
Capital projects			\$ 16,279,170	16,279,170
	<u>\$ 440,698</u>	<u>\$ 74,693</u>	<u>\$ 16,279,170</u>	<u>\$ 16,794,561</u>

NOTE 18 – 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.

B) Litigation

As of June 30, 2015 we are unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

NOTE 19 – SUBSEQUENT EVENTS:

- A) On July 16, 2015 the District issued \$25,000,000 in Bond Anticipation Notes at 1.00% which will renew \$11,000,000 in outstanding bond anticipation notes which matured on July 17, 2015 and provide \$14,000,000 in original financing to finance the construction of improvements and alterations to various District buildings and sites.

**BEDFORD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- B)** On July 16, 2015 the District issued \$1,704,110 in Bond Anticipation Notes at 1.25%. The proceeds of these notes will renew \$1,196,248 in outstanding bond anticipation notes which matured on July 17, 2015 and provide \$507,862 in original financing to fund the District's proportionate share of a BOCES capital project.

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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$106,674,570	\$106,707,719	\$106,622,907	(\$84,812)
Other tax items	6,500,000	6,466,851	6,474,493	7,642
Non-property taxes	1,480,000	1,480,000	1,479,877	(123)
Charges for services	1,782,300	1,887,920	2,156,381	268,461
Use of money and property	525,200	525,200	568,277	43,077
Forfeitures			1,200	1,200
Sale of property and compensation for loss	5,000	5,540	19,123	13,583
Miscellaneous	477,539	612,345	803,341	190,996
State sources				
Basic formula	2,283,939	2,283,939	2,021,108	(262,831)
Excess cost aid	1,650,000	1,650,000	1,595,210	(54,790)
Lottery aid	169,691	169,691	191,589	21,898
BOCES aid	719,000	719,000	697,574	(21,426)
Textbook aid	299,000	299,000	295,619	(3,381)
Software aid	70,000	70,000	74,871	4,871
Library aid	30,000	30,000	31,237	1,237
Building aid	523,000	523,000	510,954	(12,046)
Other state aid	275,600	322,990	224,960	(98,030)
Other Financing Sources				
Transfers from other funds	35,161	35,161	353,879	318,718
TOTAL REVENUES AND OTHER SOURCES	<u>123,500,000</u>	<u>123,788,356</u>	<u>\$124,122,600</u>	<u>\$334,244</u>
Assigned - Designated for subsequent year's expenditures	3,000,000	3,000,000		
Appropriated Reserves	763,785	1,069,167		
TOTAL REVENUES AND APPROPRIATED FUND BALANCE	<u>\$127,263,785</u>	<u>\$127,857,523</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 BALANCES-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<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	\$54,053	\$52,227	\$47,136		\$5,091
Central administration	415,018	418,016	412,397		5,619
Finance	970,705	969,821	929,127	\$12,000	28,694
Staff	769,885	817,251	749,626	1,481	66,144
Central services	8,767,208	8,863,279	8,389,289	228,555	245,435
Special items	1,412,883	1,681,426	1,620,638		60,788
Instructional					
Instruction, adm. & imp.	5,610,085	5,697,749	5,519,725	108,530	69,494
Teaching - regular school	40,066,045	40,074,772	39,969,824	54,993	49,955
Programs for children with handicapping conditions	9,348,648	9,522,432	9,484,995	5,101	32,336
Occupational education	925,550	925,550	925,550		-
Teaching special schools	50,000	48,835	48,585		250
Instructional media	2,744,683	2,796,197	2,759,666	25,659	10,872
Pupil services	5,440,266	5,652,082	5,440,257	4,379	207,446
Pupil Transportation	8,182,829	8,575,320	8,469,246		106,074
Employee Benefits	34,471,445	33,845,322	33,366,476		478,846
Debt Service					
Debt service principal	5,244,429	5,242,191	5,230,406		11,785
Debt service interest	2,138,053	2,023,053	1,765,945		257,108
TOTAL EXPENDITURES	<u>126,611,785</u>	<u>127,205,523</u>	<u>125,128,888</u>	<u>440,698</u>	<u>1,635,937</u>
Other Financing Uses					
Transfers to other funds	652,000	652,000	622,432	-	29,568
TOTAL EXPENDITURES AND OTHER USES	<u>\$127,263,785</u>	<u>\$127,857,523</u>	<u>125,751,320</u>	<u>\$440,698</u>	<u>\$1,665,505</u>
Net change in fund balances			(1,628,720)		
Fund balances - beginning			<u>12,147,574</u>		
Fund balances - ending			<u>\$10,518,854</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, 2015**

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
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%
July 1, 2014	\$0	\$161,849,383	\$161,849,383	0%	\$66,818,467	242.22%

**BEDFORD CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
FOR THE FISCAL YEARS ENDED JUNE 30, ***

NYSERS Pension Plan		
	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.05378777%	0.05378777%
District's proportionate share of the net pension liability (asset)	\$1,817,080	\$2,430,590
District's covered payroll	\$14,060,114	\$13,858,474
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	12.92%	17.54%
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.95%	97.20%
NYSTRS Pension Plan		
	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.3358222%	0.339142%
District's proportionate share of the net pension liability (asset)	\$(37,408,471)	\$(2,232,414)
District's covered payroll	\$50,851,764	\$50,803,092
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	73.56%	4.39%
Plan fiduciary net position as a percentage of the total pension liability (asset)	111.48%	100.70%

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

**BEDFORD CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED JUNE 30,**

	NYSERS Pension Plan									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 2,671,065	\$ 2,800,073	\$ 2,608,776	\$ 2,667,531	\$ 2,088,109	\$ 1,118,146	\$ 1,229,497	\$ 1,180,264	\$ 1,437,532	\$ 1,124,897
Contributions in relation to the contractually required contribution	2,671,065	2,800,073	2,608,776	2,667,531	2,088,109	1,118,146	1,229,497	1,180,264	1,437,532	1,124,897
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$14,643,913	\$14,304,183	\$14,122,167	\$15,731,480	\$15,399,278	\$16,402,335	\$13,953,370	\$14,121,473	\$13,369,811	\$12,587,734
Contributions as a percentage of covered employee payroll	18.24%	19.58%	18.47%	16.96%	13.56%	6.82%	8.81%	8.36%	10.75%	8.94%

	NYSTRS Pension Plan									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 8,807,921	\$ 8,060,996	\$ 5,881,750	\$ 5,300,947	\$ 4,041,189	\$ 2,859,117	\$ 3,604,036	\$ 3,963,301	\$ 3,628,122	\$ 3,180,884
Contributions in relation to the contractually required contribution	8,807,921	8,060,996	5,881,750	5,300,947	4,041,189	2,859,117	3,604,036	3,963,301	3,628,122	3,180,884
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$52,371,665	\$50,851,764	\$50,803,092	\$48,566,818	\$48,577,298	\$47,615,611	\$48,515,400	\$46,829,777	\$44,110,299	\$41,373,444
Contributions as a percentage of covered employee payroll	16.82%	15.85%	11.58%	10.91%	8.32%	6.00%	7.43%	8.46%	8.23%	7.69%

**BEDFORD CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
JUNE 30, 2015**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$126,500,000
Add: Prior year's encumbrances		<u>763,785</u>
Original Budget		127,263,785
Budget Revisions		
Use of reserves:		
Employee benefit accrued liability	\$32,676	
Tax certiorari	267,706	
Insurance reserve	5,000	
Drivers education	86,798	
Pupil transportation and field trips	62,124	
Refund of prior years expense	14,252	
New York State Grants	47,390	
Insurance recoveries	540	
Donations and gifts	<u>77,252</u>	<u>593,738</u>
Final Budget		<u>\$127,857,523</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2015 - 2016 voter-approved expenditure budget		<u>\$127,199,424</u>
Maximum allowed (4% of 2015-16 budget)		\$5,087,977
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Assigned fund balance	3,040,698	
Unassigned fund balance	<u>4,194,157</u>	
Total unrestricted fund balance	<u>7,234,855</u>	
Less:		
Appropriated fund balance	2,600,000	
Encumbrances included in assigned fund balance	<u>440,698</u>	
Total adjustments	<u>3,040,698</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$4,194,157</u>
Actual percentage		3.30%

BEDFORD CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Project Title	Expenditures to Date				Methods of Financing				Fund Balance at 6/30/2015	
	Appropriation	Prior Year's	Current Year		Unexpended Balance	Proceeds of Obligations	Local Sources			
			Capital Outlay	Transfers Out			Total	Transfers		Other
Capital Outlay:										
13-14 Bond Authorization - 31 8M DW Renov.	31,828,238	1,355,161	6,504,502	-	7,859,663	23,968,575	-	-	7,000	(7,852,663)
01-02 Interfund Transfer Site Improvement-Utilities Transfer Out to General Fund	635,000	570,776	570,776	-	570,776	64,224	635,000	-	-	64,224
TOTAL 01-02 INTERFUND TRANSFERS	635,000	44,555	44,555	-	44,555	(44,555)	635,000	-	-	(44,555)
		615,331	615,331	-	615,331	19,669	635,000	-	-	19,669
02-03 Interfund Transfer Districtwide Transfer Out to General Fund	470,000	452,226	452,226	-	452,226	17,774	470,000	-	-	17,774
TOTAL 02-03 INTERFUND TRANSFERS	470,000	12,774	12,774	5,000	17,774	(17,774)	470,000	-	-	(17,774)
		465,000	470,000	5,000	470,000	-	470,000	-	-	-
04-05 Interfund Transfers Transfer Out to General Fund	1,314,005	1,228,380	1,228,380	6,500	1,228,380	85,625	1,314,005	-	-	85,625
TOTAL 04-05 INTERFUND TRANSFERS	1,314,005	4,624	11,124	6,500	11,124	(11,124)	1,314,005	-	-	(11,124)
		1,233,004	1,239,504	6,500	1,239,504	74,501	1,314,005	-	-	74,501
06-07 Interfund Transfers Transfer Out to General Fund	1,004,464	930,534	930,534	-	930,534	73,930	1,004,464	-	-	73,930
TOTAL 06-07 INTERFUND TRANSFERS	1,004,464	38,930	38,930	-	38,930	(38,930)	1,004,464	-	-	(38,930)
		989,464	969,464	-	969,464	35,000	1,004,464	-	-	35,000
10-11 Interfund Transfer Transfer Out to General Fund	255,000	220,987	220,987	-	220,987	34,013	255,000	-	-	34,013
TOTAL 10-11 INTERFUND TRANSFERS	255,000	14,013	14,013	-	14,013	(14,013)	255,000	-	-	(14,013)
		235,000	235,000	-	235,000	20,000	255,000	-	-	20,000
11-12 Interfund Transfer - Admin. Generator Transfer Out to General Fund	250,000	138,778	138,778	111,222	138,778	111,222	250,000	-	-	111,222
TOTAL 11-12 INTERFUND TRANSFERS	250,000	138,778	138,778	111,222	138,778	(111,222)	250,000	-	-	(11,222)
							250,000	-	-	
12-13 Interfund Transfers Transfer Out to General Fund	1,250,000	1,003,380	40,650	-	1,044,030	205,970	1,250,000	-	-	205,970
TOTAL 12-13 INTERFUND TRANSFERS	1,250,000	93,522	40,650	112,448	205,970	(205,970)	1,250,000	-	-	(205,970)
		1,096,902	1,250,000	112,448	1,250,000	-	1,250,000	-	-	-
13-14 Interfund Transfers Transfer Out to General Fund	250,000	35,937	130,515	-	166,452	83,548	250,000	-	-	83,548
TOTAL 13-14 INTERFUND TRANSFERS	250,000	35,937	130,515	83,548	83,548	(83,548)	250,000	-	-	(83,548)
							250,000	-	-	
14-15 Interfund Transfers	377,000	370,196	370,196	-	370,196	6,804	377,000	-	-	6,804
14-15 Copier Lease	591,301	591,301	591,301	-	591,301	-	591,301	-	-	-
Total Capital Outlay	38,225,008	6,144,577	7,637,164	318,718	14,100,459	24,124,549	5,805,469	7,000	7,000	(7,696,689)
Other items:										
14-15 Capital Lease - Computers	841,988	841,988	841,988	-	841,988	841,988	841,988	-	-	-
BOCES - Capital Improvements	1,196,248	592,751	603,497	-	1,196,248	-	-	-	-	(1,196,248)
Total Other Items	2,038,236	592,751	1,445,485	-	2,038,236	-	-	-	-	(1,196,248)
Total	\$40,263,244	\$6,737,328	\$9,082,649	\$318,718	\$16,138,695	\$24,124,549	\$5,805,469	\$7,000	\$7,000	(\$8,892,937) *

* Negative balance will be eliminated when permanent financing is received.

**BEDFORD CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2015**

Capital assets, net		\$108,542,291
Deduct:		
Defeasance gain	1,988,236	
Bond Anticipation Note payable	11,000,000	
Short-term portion of bonds payable	4,270,000	
Long-term portion of bonds payable	42,125,000	
Short-term portion of installment debt	753,211	
Long-term portion of installment debt	<u>1,065,769</u>	<u>61,202,216</u>
Net investment in capital assets		<u><u>\$47,340,075</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, 2015, 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, 2015.

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

Islandia, NY

October 7, 2015