

BEDFORD CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016
Together with
Independent Auditor's Reports

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

October 20, 2016

To the Board of Education of
Bedford Central School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bedford Central School District (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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INDEPENDENT AUDITOR'S REPORT

(Continued)

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 aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as required by the New York State Education Department, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BEDFORD CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The following is a discussion and analysis of the Bedford Central School District's (District) financial performance for the fiscal year ended **June 30, 2016**. The section summarizes the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. As this section is only an introduction, it should be read in conjunction with the District's basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide net position of the District is \$(4,617,281).
- Government-wide net position is \$1,812,341 more than at July 1, 2015 due predominately to the expenses incurred relating GASB Statement Nos. 68 and 71 and GASB 45 OPEB liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: Management's Discussion & Analysis (MD&A) (this section), the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status. Because of this, the Statement of Net Position will include assets such as building and equipment and long term balances due to the district as well as long term liabilities such as bonds payable. In addition, payments for principal on long term bond obligations will be shown as a reduction of the liability and payments for buildings and equipment will be shown as additions to assets.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the Government-wide statements. The fund financial statements concentrate on the District's most significant funds.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending. As such, in this presentation, payments for buildings and equipment will be shown as expenditures rather than an increase in assets, proceeds from new long term borrowings will be shown as a source of revenue rather than a long term liability, and principal payments on the long term borrowings will be shown as expenditures.
- *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.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data immediately following the financial statements. The statements are followed by a section of required supplementary information and then supplementary information.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

These schedules further explain and support the financial statements with a comparison of the District's budget for the year, a detailed capital project schedule, and other financial information.

Table A-1 shows how the various sections of this annual report are arranged and related to one another.

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

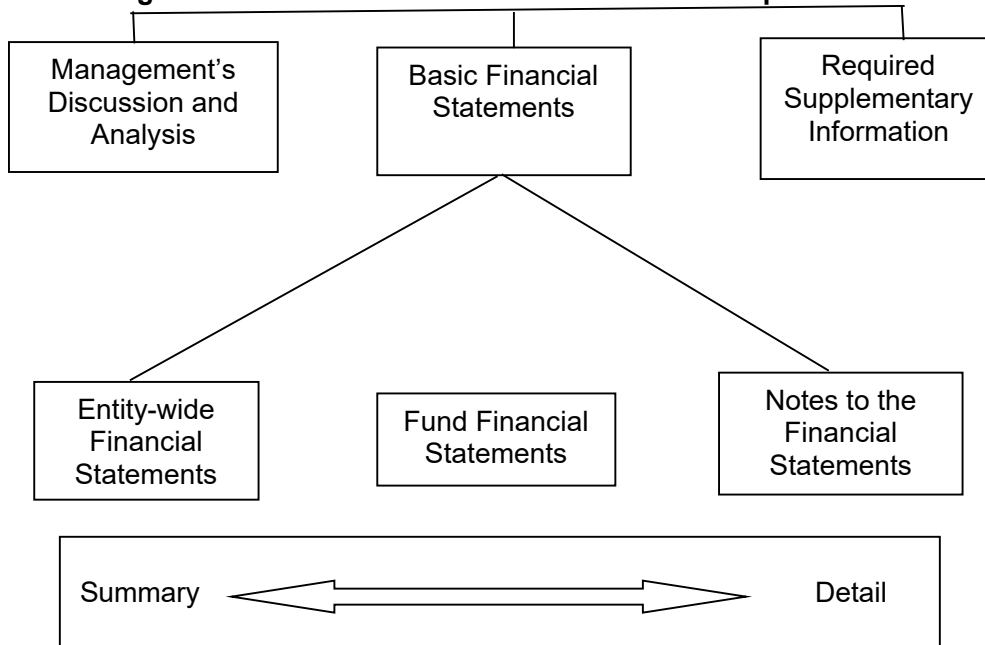


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

		Fund Financial Statements	
	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the District, such as instruction and special education.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
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 revenue, expenditures, and change 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 focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets, deferred inflows/outflows of resources, and liabilities, both financial and capital, short-term and long-term.	Current assets, deferred inflows/outflows of resources, and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; 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.

Government-Wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities and changes in net position regardless of when cash is received or paid.

The two Government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets/deferred outflows of resources and liabilities/deferred inflows of resources – are one way to measure the District's financial health or position.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Statements (Continued)

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

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare 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 function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets.
 - Restricted net position is those assets with constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, debt service fund, capital projects fund, permanent fund and miscellaneous special revenue fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and change in fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the 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 government-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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The analysis below focuses on the net position (Table A-3) and changes in net position (Table A-4) of the District's governmental activities. The District's net position increased \$1,812,341 from \$(6,429,622) in 2015 to \$(4,617,281) in 2016. As Table A-3 shows, both the District's assets and liabilities increased. The decrease in current and other assets is primarily the result of a decrease in General Fund cash of nearly \$5 million which corresponds directly to the expenditures in excess of revenues experienced in the current year. The increase in Noncurrent assets is primarily the result of increased capital assets as a result of significant capital projects during the current year of approximately \$15 million less offsetting depreciation. The change in current liabilities is primarily the result of an increase in BAN payable of approximately \$14 million relating to the short term financing related to ongoing capital projects. The increase in long-term liabilities is a result of the additional accrual of the other post-employment benefits of \$8.1 million and net pension liability of \$6.5 million as well as a net reduction of serial bonds and installment purchase obligations of \$4.2 million from principal payments. Net deferred outflows/inflows of resources decreased approximately \$13 million as a result of activity relating to GASB 68 as reported by the District's pension plans. Additional information may be found in the accompanying footnotes. Total net position decreased predominately due to the expenses incurred relating GASB Statement Nos. 68 and 71 and GASB 45 OPEB liability.

Table A-3 Condensed Statement of Net Position

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current and other assets	\$ 23,309,855	\$ 29,653,551	\$ (6,343,696)	-21.39%
Noncurrent assets	<u>159,413,565</u>	<u>145,950,762</u>	<u>13,462,803</u>	9.22%
Total assets	<u>182,723,420</u>	<u>175,604,313</u>	<u>7,119,107</u>	4.05%
Deferred Outflows of Resources	<u>15,096,833</u>	<u>9,999,484</u>	<u>5,097,349</u>	50.98%
Liabilities:				
Current liabilities	45,017,354	32,873,991	12,143,363	36.94%
Long-term liabilities	<u>142,696,642</u>	<u>131,500,307</u>	<u>11,196,335</u>	8.51%
Total liabilities	<u>187,713,996</u>	<u>164,374,298</u>	<u>23,339,698</u>	14.20%
Deferred Inflows of Resources	<u>14,723,538</u>	<u>27,659,121</u>	<u>(12,935,583)</u>	-46.77%
Net position:				
Net investment in capital assets	52,213,570	47,340,075	4,873,495	10.29%
Restricted	3,124,382	3,511,142	(386,760)	-11.02%
Unrestricted	<u>(59,955,233)</u>	<u>(57,280,839)</u>	<u>(2,674,394)</u>	4.67%
Total net position	<u>\$ (4,617,281)</u>	<u>\$ (6,429,622)</u>	<u>\$ 1,812,341</u>	28.19%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Changes in Net Position

The District's 2016 total revenue was \$129,553,495 (Table A-4). Property taxes and New York State aid accounted for the majority of revenue by contributing 85% and 10%, respectively (see Table A-5). The remainder of the District's revenue came from charges for services, operating grants, and other miscellaneous sources.

The total cost of all programs and services in the 2015-2016 school year amounted to \$127,741,154. Eighty nine (89%) of the District's expenditures were—predominately for the education, supervision; nutrition and transportation of students (see Table A-6). The—District's administrative and operating activities accounted for 11% of total costs.

Table A-4 Changes in Net Position from Operating Results

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenue				
Program revenue:				
Charges for services	\$ 3,030,306	\$ 3,121,892	\$ (91,586)	-2.93%
Operating grants	2,910,402	3,296,141	(385,739)	-11.70%
General revenue:				
Property and other tax items	115,353,111	114,577,277	775,834	0.68%
State aid	6,143,455	5,643,122	500,333	8.87%
Use of money and of property	617,350	574,595	42,755	7.44%
Sale of property and compensation for loss	23,477	0	23,477	100.00%
Miscellaneous	<u>1,475,394</u>	<u>924,033</u>	<u>551,361</u>	59.67%
Total revenue	<u>129,553,495</u>	<u>128,137,060</u>	<u>1,416,435</u>	1.11%
Expenses				
General support	14,033,624	17,271,495	(3,237,871)	-18.75%
Instruction	101,626,268	97,418,427	4,207,841	4.32%
Pupil transportation	8,585,644	8,803,423	(217,779)	-2.47%
Debt service - Interest	1,722,181	1,499,100	223,081	14.88%
School lunch program	<u>1,773,437</u>	<u>1,687,200</u>	<u>86,237</u>	5.11%
Total expenses	<u>127,741,154</u>	<u>126,679,645</u>	<u>1,061,509</u>	0.84%
Change in Net Position	<u>\$ 1,812,341</u>	<u>\$ 1,457,415</u>	<u>\$ 354,926</u>	24.35%

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-5 Sources of Revenue for 2016

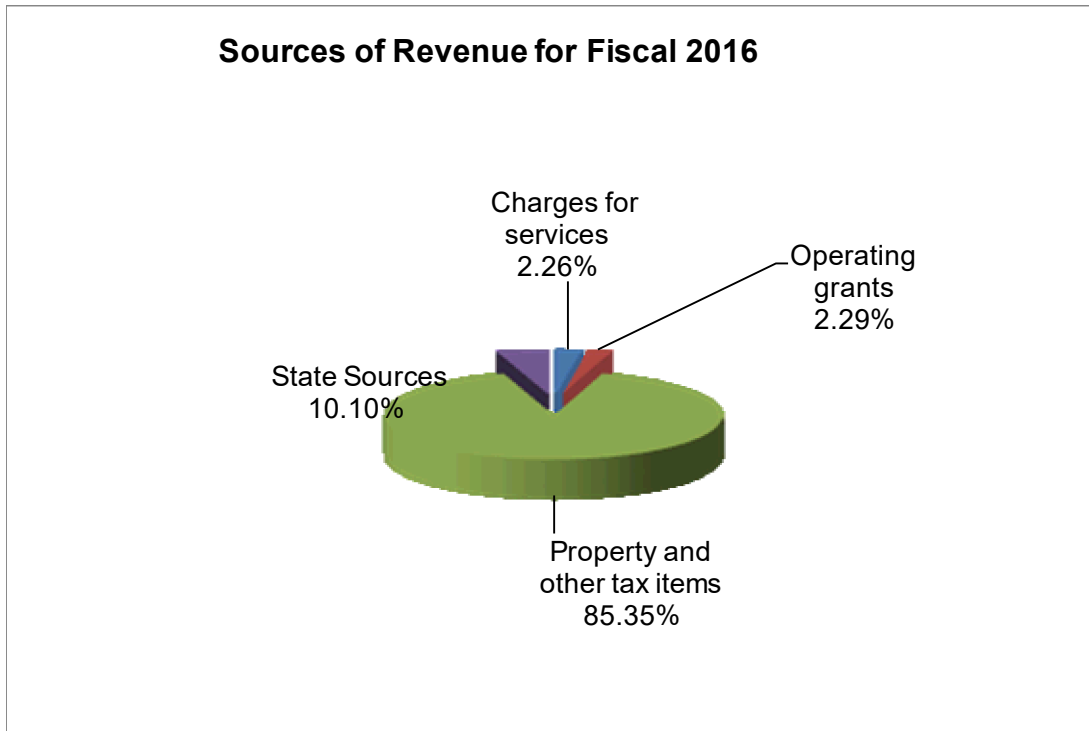
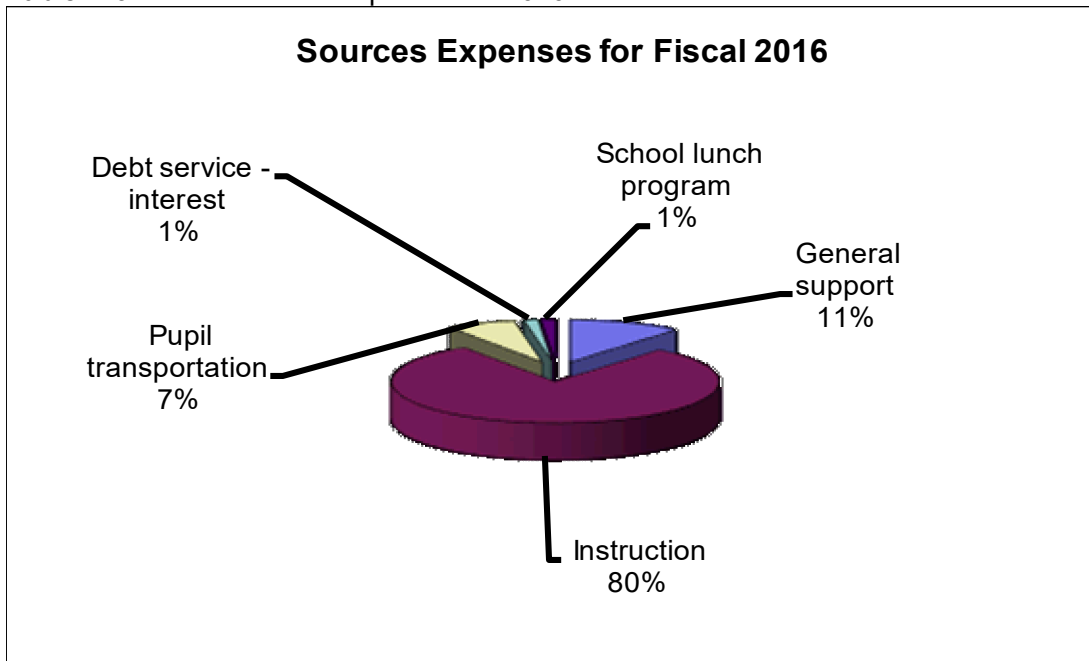


Table A-6 Sources of Expenses for 2016



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities

Table A-7 presents the cost of several of the District's major programs or activities as well as each activity's net cost (total cost less fees generated by the activity 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 and is presented in the Statement of Activities.

Table A-7 Net Costs of Governmental Activities

	Total Cost Of Services <u>2016</u>	Total Cost Of Services <u>2015</u>	Percent Change	(Net) Cost Of Services <u>2016</u>	(Net) Cost Of Services <u>2015</u>	Percent Change
Functions:						
General support	\$ 14,033,624	\$ 17,271,495	-18.75%	\$ 14,033,624	\$ 17,271,495	-18.75%
Instruction	101,626,268	97,418,427	4.32%	97,447,504	92,819,704	4.99%
Pupil transportation	8,585,644	8,803,423	-2.47%	8,585,644	8,639,379	-0.62%
Debt service - Interest	1,722,181	1,499,100	14.88%	1,722,181	1,499,100	14.88%
Cost of sales	1,773,437	1,687,200	5.11%	11,493	31,934	-64.01%
Total	<u>\$ 127,741,154</u>	<u>\$ 126,679,645</u>	<u>0.84%</u>	<u>\$ 121,800,446</u>	<u>\$ 120,261,612</u>	<u>1.28%</u>

- The total cost of all governmental activities for the year was \$127,741,154.
- The users of the District's programs financed \$3,030,306 the costs.
- The federal and state operating grants financed \$2,910,402 of the costs.
- The remainder of the costs was financed by the District's taxpayers and state aid and federal aid.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variations between years for the governmental fund financial statements are not the same as variations between years for the government-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

As of June 30, 2016, the District's combined governmental funds reported a total fund balance of \$(16,355,953), which is a decrease of \$18,936,597 from the prior year.

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

	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2015</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General Fund				
Nonspendable - prepaid expenditures	\$ 1,643	\$ -	\$ 1,643	100.00%
Restricted for tax certiorari	1,618,381	1,681,372	(62,991)	-3.75%
Restricted for retirement contributions	583,966	730,205	(146,239)	-20.03%
Restricted for repairs	81,519	81,459	60	0.07%
Restricted for employee benefit accrued liability	431,841	461,814	(29,973)	-6.49%
Restricted for unemployment benefits	204,614	254,429	(49,815)	-19.58%
Restricted for insurance	64,520	74,720	(10,200)	-13.65%
Assigned - designated for subsequent year's expenditures	320,000	2,600,000	(2,280,000)	-87.69%
Assigned - general support	58,260	242,036	(183,776)	-75.93%
Assigned - instruction	306,796	198,662	108,134	54.43%
Assigned - employee benefits	3,217	-	3,217	100.00%
Unassigned	<u>2,045,051</u>	<u>4,194,157</u>	<u>(2,149,106)</u>	-51.24%
Total General Fund balance	<u>5,719,808</u>	<u>10,518,854</u>	<u>(4,799,046)</u>	-45.62%
School Food Service Fund				
Nonspendable - inventory	6,891	4,276	2,615	61.16%
Assigned - unappropriated	<u>693,226</u>	<u>723,308</u>	<u>(30,082)</u>	-4.16%
Total School Food Service Fund balance	<u>700,117</u>	<u>727,584</u>	<u>(27,467)</u>	-3.78%
Debt Service Fund				
Restricted	<u>139,541</u>	<u>227,143</u>	<u>(87,602)</u>	-38.57%
Capital Projects Fund				
Unassigned	<u>(22,915,419)</u>	<u>(8,892,937)</u>	<u>(14,022,482)</u>	157.68%
Total Governmental Activities Fund balance	<u>(16,355,953)</u>	<u>2,580,644</u>	<u>(18,936,597)</u>	-733.79%

General fund – Total fund balance decreased during the current year as a result of a budgeted shortfall which amounted to nearly \$5 million during the current year.

School lunch – Total fund balance decreased as a result of a small operating deficit of \$27,467. The deficit was reduced from the prior year operating deficit of \$125,419.

Capital fund – The unassigned deficit fund balance for the capital project fund increased significantly this year as a result of ongoing capital projects which have obtained temporary financing. This deficit will be alleviated upon the conversion of the short term financing to long term financing in the future.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the General Fund.

The General Fund is the only fund for which a budget is legally adopted.

2015-2016 Budget

The District's voter approved general fund adopted budget for the year ended June 30, 2016 was \$127,199,424. This amount was increased by encumbrances carried forward from the prior year in the amount of \$440,698 and budget revisions of \$4,417,508, which resulted in a final budget of \$132,057,630. 85% of the funding for the adopted budget was from real property taxes, non-property taxes and other tax items (including STAR).

Significant variances between budgeted revenue and expenditures and actual results are explained in the following narratives (See Table A-8).

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 assignment to fund subsequent years' budgets. It is this balance that is commonly referred to as "fund balance".

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 2016-2017 budget for a maximum allowable unassigned fund balance of \$5,072,195.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

Table A-8 – Results vs. Budget

	Original Budget	Final Budget	Actual	Encumb.	Variance
Revenue:					
Real property taxes	\$ 107,166,949	\$ 107,166,949	\$ 107,132,804		\$ (34,145)
Other tax items	8,293,475	8,293,475	8,220,307		(73,168)
Charges for services	1,921,800	2,020,853	2,051,273		30,420
Use of money and property	547,000	547,000	594,561		47,561
Miscellaneous	278,200	466,297	986,901		520,604
State sources	6,292,000	6,337,822	6,143,455		(194,367)
Transfers in	100,000	100,000	100,000		-
Total revenue	<u>124,599,424</u>	<u>124,932,396</u>	<u>125,229,301</u>		<u>296,905</u>
Expenditures:					
General support	12,351,898	12,360,996	11,366,824	\$ 58,260	935,912
Instruction	66,323,876	68,266,333	67,612,334	306,796	347,203
Pupil transportation	8,445,767	8,443,073	8,362,022	-	81,051
Employee benefits	32,628,186	35,537,539	35,254,481	3,217	279,841
Debt service - principal	5,290,211	5,289,084	5,280,432	-	8,652
Debt service - interest	1,884,486	1,885,613	1,884,125	-	1,488
Transfers out	275,000	275,000	268,129	-	6,871
Total expenses	<u>127,199,424</u>	<u>132,057,638</u>	<u>130,028,347</u>	<u>368,273</u>	<u>1,661,018</u>
Net change in fund balance	(2,600,000)	(7,125,242)	(4,799,046)		
Fund balance - beginning of year	<u>10,518,854</u>	<u>10,518,854</u>	<u>10,518,854</u>		
Fund balance - end of year	<u>\$ 7,918,854</u>	<u>\$ 3,393,612</u>	<u>\$ 5,719,808</u>		

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2016, the District had \$124,670,778 invested in a broad range of capital assets including land, buildings, buses, athletic facilities, computers, and other educational equipment.

The increase is a result of on-going capital projects.

Table A-9 – Capital Assets (Net of Depreciation)

Capital Assets (Net of Depreciation)

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>
Land	\$ 2,021,645	\$ 2,021,645
Construction in process	24,275,074	7,859,666
Buildings and improvements	137,402,737	134,862,084
Machinery and equipment	5,245,059	5,170,195
Less: Accumulated depreciation	<u>(44,273,737)</u>	<u>(41,371,299)</u>
Total net capital assets	<u>\$ 124,670,778</u>	<u>\$ 108,542,291</u>

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Debt

As of June 30, 2016, the District had \$142,696,642 in general obligation, installment debt, and other long-term liabilities outstanding. The large increase in the net pension liability – ERS is due to an accounting change. GASB Statement No. 68 requires the recognition of an additional \$6.5M in pension debt. More detailed information about the District's long-term debt is included in the notes to the financial statements.

Table A-10 – Long-term Liabilities

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>
General obligation bonds (financed with property taxes)	\$ 42,125,000	\$ 46,395,000
Installment debt	1,877,539	1,818,980
Termination benefits payable	2,250,033	1,891,691
Compensated absences	569,076	611,052
Net pension liability - ERS	8,342,181	1,817,080
Other postemployment benefits	<u>92,641,674</u>	<u>84,500,266</u>
Total long-term liabilities	<u>147,805,503</u>	<u>137,034,069</u>
Less: current portion of debt	<u>(5,108,861)</u>	<u>(5,533,762)</u>
Total long-term liabilities	<u>\$ 142,696,642</u>	<u>\$ 131,500,307</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

As of the date of these financial statements, the District was aware of the following noteworthy items that could affect its financial well-being in the future.

The voters approved the general fund budget in the amount of \$126,804,885 for the school year 2016-2017. This is a decrease of \$394,539 or 0.31% over the previous year's budget. The decrease was primarily due to an increase in health insurance costs offset by a reduction in staff and employee pension benefits.

On July 14, 2016, the District issued \$1,685,318 in Bond Anticipation Notes for short-term financing of the District's total obligation of \$1,704,110 for BOCES capital construction projects. A principal payment of \$18,792 was made reducing the original obligation. The District is authorized to issue up to 30-year serial bonds for the total amount owed.

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 14, 2016, the District issued \$31,655,434 in Bond Anticipation Notes which renewed BANs of \$11,000,000 and \$14,000,000 and issued BANs for an additional \$6,655,434 as short-term financing of the construction project costs. A principal payment in the amount of \$172,804 was made reducing the original obligation. 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 budgets for debt service.

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.

FACTORS BEARING ON THE DISTRICT'S FUTURE (Continued)

Significant changes in property tax cap, costs of health insurance and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

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 until 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 original budget in May was defeated. As a result, the budget was reduced by \$2.8M for the June vote which was approved by the voters. This resulted in a property tax increase of 1.31% and an overall staff reduction of 52 positions district wide.

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 within 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.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Bedford Central School District
Attn: Business Manager
Route 172 – Fox Lane Campus
Bedford, New York 10506

BEDFORD CENTRAL SCHOOL DISTRICT**STATEMENT OF NET POSITION
JUNE 30, 2016****ASSETS**

CURRENT ASSETS:

Cash - Unrestricted	\$ 11,994,846
Cash - Restricted	8,224,867
Accounts receivable	121,061
State and federal aid receivable	1,811,368
Due from fiduciary funds	6,863
Due from other governments	1,142,316
Prepaid expenses	1,643
Inventories	<u>6,891</u>

Total current assets 23,309,855

NONCURRENT ASSETS:

Net pension asset - TRS	34,742,787
Capital assets, net	<u>124,670,778</u>

Total non-current assets 159,413,565

Total assets \$ 182,723,420

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - TRS Pension	7,043,669
Deferred outflows of resources - ERS Pension	<u>8,053,164</u>

Total deferred outflows of resources 15,096,833

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued expenses	4,625,149
Accrued interest	242,685
Due to other governments	199,842
Unearned revenue	179,107
Due to Teachers' Retirement System	7,326,035
Due to Employees' Retirement System	631,565
Bond anticipation note payable	26,704,110
Bonds payable due within one year	4,265,000
Installment debt payable due within one year	<u>843,861</u>

Total current liabilities 45,017,354

LONG-TERM LIABILITIES:

Bonds payable, net of current portion	37,860,000
Installment debt payable, net of current portion	1,033,678
Compensated absences payable	569,076
Termination benefits payable	2,250,033
Net pension liability - ERS	8,342,181
Other postemployment benefits payable	<u>92,641,674</u>

Total long-term liabilities 142,696,642

Total liabilities 187,713,996

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - TRS Pension	11,945,247
Deferred inflows of resources - ERS Pension	1,027,732
Deferred inflows of resources - Bond refunding	<u>1,750,559</u>

Total deferred inflows of resources 14,723,538

NET POSITION

Net investment in capital assets	52,213,570
Restricted	3,124,382
Unrestricted	<u>(59,955,233)</u>

TOTAL NET POSITION \$ (4,617,281)

The accompanying notes are an integral part of these statements.

BEDFORD CENTRAL SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

GOVERNMENTAL ACTIVITIES	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
General support	\$ 14,033,624	\$ -	\$ -	\$ (14,033,624)
Instruction	101,626,268	2,051,273	2,127,491	(97,447,504)
Pupil transportation	8,585,644	-	-	(8,585,644)
Debt service - interest	1,722,181	-	-	(1,722,181)
School lunch program	<u>1,773,437</u>	<u>979,033</u>	<u>782,911</u>	<u>(11,493)</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 127,741,154</u>	<u>\$ 3,030,306</u>	<u>\$ 2,910,402</u>	<u>(121,800,446)</u>
GENERAL REVENUE:				
Real property taxes				107,132,804
Other tax items				8,220,307
Use of money and property				617,350
Sale of property and compensation for loss				23,477
State sources				6,143,455
Miscellaneous				<u>1,475,394</u>
TOTAL GENERAL REVENUE				<u>123,612,787</u>
CHANGE IN NET POSITION				<u>1,812,341</u>
TOTAL NET POSITION - beginning of year				<u>(6,429,622)</u>
TOTAL NET POSITION - end of year				<u>\$ (4,617,281)</u>

The accompanying notes are an integral part of these statements.

BEDFORD CENTRAL SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION
JUNE 30, 2016**

	<u>Special Revenue Funds</u>					<i>Total Governmental Funds</i>
	<i>General</i>	<i>Special Aid</i>	<i>School Lunch</i>	<i>Capital Projects</i>	<i>Debt Service</i>	
ASSETS						
Cash - Unrestricted	\$ 10,645,946	\$ 504,865	\$ 844,035	\$ -	\$ -	\$ 11,994,846
Cash - Restricted	2,984,841	-	-	5,010,973	229,053	8,224,867
Accounts receivable	121,061	-	-	-	-	121,061
Due from other funds	1,355,585	-	-	142	10,488	1,366,215
State and federal aid receivable	836,743	920,802	53,823	-	-	1,811,368
Due from other governments	1,142,316	-	-	-	-	1,142,316
Prepaid expenditures	1,643	-	-	-	-	1,643
Inventories	-	-	6,891	-	-	6,891
TOTAL ASSETS	\$ 17,088,135	\$ 1,425,667	\$ 904,749	\$ 5,011,115	\$ 239,541	\$ 24,669,207
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Accounts payable and accrued expenses	\$ 3,152,193	\$ 131,501	\$ 129,910	\$ 1,211,545	\$ -	\$ 4,625,149
Due to other funds	6,099	1,223,410	18,964	10,879	100,000	1,359,352
Due to other governments	181,235	18,607	-	-	-	199,842
Due to Teachers' Retirement System	7,326,035	-	-	-	-	7,326,035
Due to Employees' Retirement System	631,565	-	-	-	-	631,565
Unearned revenue	71,200	52,149	55,758	-	-	179,107
Bond anticipation note payable	-	-	-	26,704,110	-	26,704,110
TOTAL LIABILITIES	11,368,327	1,425,667	204,632	27,926,534	100,000	41,025,160
FUND BALANCE:						
Nonspendable						
Prepaid expenditures	1,643	-	-	-	-	1,643
Inventory	-	-	6,891	-	-	6,891
Total nonspendable fund balance	1,643	-	6,891	-	-	8,534
Restricted for:						
Unemployment insurance	204,614	-	-	-	-	204,614
Retirement	583,966	-	-	-	-	583,966
Insurance	64,520	-	-	-	-	64,520
Tax certiorari	1,618,381	-	-	-	-	1,618,381
Employee benefit liability	431,841	-	-	-	-	431,841
Repair	81,519	-	-	-	-	81,519
Debt service	-	-	-	-	139,541	139,541
Total restricted fund balance	2,984,841	-	-	-	139,541	3,124,382
Assigned						
Appropriated for subsequent years expenditures	320,000	-	-	-	-	320,000
Other	368,273	-	693,226	-	-	1,061,499
Total assigned fund balance	688,273	-	693,226	-	-	1,381,499
Unassigned						
	2,045,051	-	-	(22,915,419)	-	(20,870,368)
TOTAL FUND BALANCE	5,719,808	-	700,117	(22,915,419)	139,541	(16,355,953)
TOTAL LIABILITIES AND FUND BALANCE	\$ 17,088,135	\$ 1,425,667	\$ 904,749	\$ 5,011,115	\$ 239,541	\$ 24,669,207

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balances per above	\$ (16,355,953)
Capital assets, net used in governmental activities are not financial resources and, therefore, are not reported in the funds	124,670,778
GASB 68 related government wide activity	
Net pension asset - TRS	34,742,787
Deferred outflows of resources	15,096,833
Net pension liability - ERS	(8,342,181)
Deferred inflows of resources - TRS	(11,945,247)
Deferred inflows of resources - ERS	(1,027,732)
Deferred inflows from gain on defeasance on the advanced refunding are amortized on the Statement of Net Position 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.	(1,750,559)
Long-term liabilities, including bonds payable, net of premiums are not due and payable in the current period, and, therefore, are not reported in the funds	(44,002,539)
Other postemployment benefits liability at year end is recorded in the government-wide statements under full accrual accounting.	(92,641,674)
Long-term liabilities, including compensated absences and judgements and claims are not due and payable in the current period and, therefore, are not reported in the funds	(2,819,109)
Interest payable at year end is recorded in the government-wide statements under full accrual accounting	(242,685)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (4,617,281)

BEDFORD CENTRAL SCHOOL DISTRICT

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue Funds</u>					<i>Total Governmental Funds</i>
	<i>General</i>	<i>Special Aid</i>	<i>School Lunch</i>	<i>Capital Projects</i>	<i>Debt Service</i>	
REVENUE:						
Real property taxes	\$ 107,132,804	\$ -	\$ -	\$ -	\$ -	\$ 107,132,804
Other tax items	8,220,307	-	-	-	-	8,220,307
Charges for services	2,051,273	-	-	-	-	2,051,273
Use of money and property	594,561	-	401	-	5,269	600,231
Sale of property and compensation for loss	23,477	-	-	-	-	23,477
Miscellaneous	963,424	507,942	4,028	-	-	1,475,394
State sources	6,143,455	438,322	38,587	-	-	6,620,364
Federal sources	-	1,689,169	744,324	-	-	2,433,493
Sales - school lunch	-	-	979,033	-	-	979,033
Total revenue	<u>125,129,301</u>	<u>2,635,433</u>	<u>1,766,373</u>	<u>-</u>	<u>5,269</u>	<u>129,536,376</u>
EXPENDITURES:						
General support	11,366,824	-	-	-	-	11,366,824
Instruction	67,612,334	2,754,891	-	-	-	70,367,225
Pupil transportation	8,362,022	148,671	-	-	-	8,510,693
Employee benefits	35,254,481	-	18,964	-	-	35,273,445
Debt service - principal	5,280,432	-	-	-	-	5,280,432
Debt service - interest	1,884,125	-	-	-	100,369	1,984,494
Cost of sales	-	-	1,774,876	-	-	1,774,876
Capital outlay	-	-	-	15,001,093	-	15,001,093
Total expenditures	<u>129,760,218</u>	<u>2,903,562</u>	<u>1,793,840</u>	<u>15,001,093</u>	<u>100,369</u>	<u>149,559,082</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(4,630,917)</u>	<u>(268,129)</u>	<u>(27,467)</u>	<u>(15,001,093)</u>	<u>(95,100)</u>	<u>(20,022,706)</u>
OTHER SOURCES AND (USES):						
Installment purchase debt	-	-	-	978,611	-	978,611
Premium on issuance of debt	-	-	-	-	107,498	107,498
Operating transfers in	100,000	268,129	-	-	-	368,129
Operating transfers (out)	(268,129)	-	-	-	(100,000)	(368,129)
Total other sources (uses)	<u>(168,129)</u>	<u>268,129</u>	<u>-</u>	<u>978,611</u>	<u>7,498</u>	<u>1,086,109</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(4,799,046)</u>	<u>-</u>	<u>(27,467)</u>	<u>(14,022,482)</u>	<u>(87,602)</u>	<u>(18,936,597)</u>
FUND BALANCE (DEFICIT) - beginning of year	<u>10,518,854</u>	<u>-</u>	<u>727,584</u>	<u>(8,892,937)</u>	<u>227,143</u>	<u>2,580,644</u>
FUND BALANCE (DEFICIT) - end of year	<u>\$ 5,719,808</u>	<u>\$ -</u>	<u>\$ 700,117</u>	<u>\$ (22,915,419)</u>	<u>\$ 139,541</u>	<u>\$ (16,355,953)</u>

BEDFORD CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net changes in fund balance - Total governmental funds \$ (18,936,597)

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 end changed by:

Termination benefits and compensated absences (316,366)

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 end changed by:

(8,141,408)

Pension expense resulting from GASB 68 related pension actuary reporting is not recorded as an expenditure in the government funds but is recorded in the Statement of Activities

8,468,922

Capital Related Items:

Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net position

19,076,093

Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities

(2,902,438)

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 Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest at year end changed by:

24,637

Repayment of bond and 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.

5,280,432

Proceeds from issuance of debt is an other financing source in the governmental funds, however, it increases long-term debt in the Statement of Net Position and does not affect the Statement of Activities.

(978,611)

The defeasance gain on the advance refunding is amortized on the Statement of Net Position over the life of the bond. Governmental funds recorded the gain on defeasance on the advanced refunding as an expenditure in the year of defeasance.

237,677

Change in net position - Governmental activities

\$ 1,812,341

The accompanying notes are an integral part of these statements.

BEDFORD CENTRAL SCHOOL DISTRICT

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016**

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS:		
Cash	\$ -	\$ 178,451
Cash - restricted	569,582	151,318
Due from other funds	100	387
Total assets	<u>569,682</u>	<u>330,156</u>
LIABILITIES:		
Extraclassroom activity balances	-	151,318
Due to other funds	-	7,350
Other liabilities	-	171,488
Total liabilities	<u>-</u>	<u>\$ 330,156</u>
NET POSITION:		
Restricted for scholarships	<u>\$ 569,682</u>	

BEDFORD CENTRAL SCHOOL DISTRICT

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and contributions	\$ 5,101
Investment earnings	<u>164</u>
Total additions	5,265
DEDUCTIONS:	
Scholarships and awards	<u>42,237</u>
CHANGE IN NET POSITION	(36,972)
NET POSITION - beginning of year	<u>606,654</u>
NET POSITION - end of year	<u>\$ 569,682</u>

The accompanying notes are an integral part of these statements.

BEDFORD CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bedford Central School District provides K-12 public education to students living within its geographic boundaries.

The financial statements of Bedford Central School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

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

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. The President of the Board of Education 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 of Education has the authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). 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. 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 included in the District's reporting entity.

Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements, (cash basis) of the extraclassroom activity funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

The Bedford Central School District is one of 18 component school districts in the Putnam/Northern Westchester Board of Cooperative Education Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

Financial statements for the BOCES are available from the BOCES administrative office.

Basis of Presentation

The District's financial statements consist of district-wide financial statements, including a Statement of Net Position and a Statement of Activities and Change in Net Position, and fund level financial statements which provide more detailed information. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures, as appropriate. Governmental resources are allocated to and accounted in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Statements

The statement of net position and the statement of activities and changes in net position present financial information about the District's governmental activities and deferred outflows and inflows are included on the statement of net position. 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 revenue, 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 revenue for each function of the School 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 revenue 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

The District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The fund 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 accounts of the District are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflows of resources, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the School District are as follows:

Governmental Fund Types

Governmental funds are those in which most governmental functions of the District are reported. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the proprietary and fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of the changes in financial position rather than upon determination of net income. The following are the District's governmental fund types:

- **General Fund:** This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- **Special Revenue Funds:** These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition and school store operations or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. The District uses two special revenue funds:
 - **Special Aid Fund:** Used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State or Local grants.
 - **School Lunch Fund:** Used to account for transactions of the lunch and breakfast programs.
- **Capital Projects Funds:** These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- **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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District as an agent for individuals, private organizations, other governmental units, and/or other funds.

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the Government-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.

Use of 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-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 governmental fund 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 revenue is collected within ninety days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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.

Cash

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

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. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

The District does not typically purchase investments for a long enough duration to cause it to be believed that it is exposed to any material interest rate risk.

The District does not typically purchase investments denominated in foreign currency, and is not exposed to foreign currency risk.

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 as of year-end includes \$3,213,894 within the governmental funds.

Accounts Receivable

Accounts receivable are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Inventory and Prepaid Expenditures

Inventory of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates fair value. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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 expenditures in both the Government-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.

A reserve for these non-liquid assets (inventories) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 revenue to provide financing or other services.

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

Capital Assets, Net

Capital assets, net are reflected in the Government-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical costs, based on appraisals conducted by independent third-party professionals, net of accumulated depreciation. Donated assets are reported at estimated fair value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	SL	20-50 years
Machinery and equipment	\$ 5,000	SL	5-20 years

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, 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 government has one item that qualifies for reporting in this category:

- Deferred charges resulting from pension contributions made subsequent to the measurement date of the plan. The amortization is expensed against pension expense in future periods.
- Deferred charges resulting from differences between projected and actual earnings on pension plan investments of the plan. The amortization is expensed against pension expense in future periods.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Deferred Outflows and Inflows of Resources (Continued)

The government has the following items that qualify for reporting in this category;

- Deferred charge (gain) on a bond refunding. A deferred charge on refunding results from the difference in the carrying value of the refunding debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amortization is expensed against interest expense in future periods.
- The net amount of the District's balances of deferred inflows of resources related to pensions is reported in the government-wide Statement of Net Position as deferred inflows of resources. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Vested Employee Benefits

Compensated Absences

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

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

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

Consistent with generally accepted accounting principles, the liability for compensated absences has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the funds 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.

Retirement Benefits

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

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

Other Postemployment Benefits

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as expenditures. At the fund level, the District recognized the current cost of providing benefits for June 30, 2016 by recording approximately \$6.7 million, which is its share of insurance premiums for currently enrolled retirees, as expenditures for the current year.

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vested Employee Benefits (Continued)

In accordance with the provisions of generally accepted accounting principles, the School District has recorded in the government-wide statement of net position other post-employment benefits totaling \$92,641,674 as of June 30, 2016.

Other 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 offered an HMO plan where a small number of employees participated. That plan is a fully insured plan whose premiums are set by the HMO annually. Effective January 1st, the District discontinued the HMO plan. At January 1st, all eligible employees were offered district's self-insured health plan. Currently, no retired active plan members in the self-insured plan are required to contribute to the plan. Future retirees, according to the dates and terms in their employment contracts, will be required to pay a contribution toward the health plan equal to the percentage they were paying in their last year of employment before retirement.

Property Taxes

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.

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.

Unearned Revenue

Unearned revenue is reported when potential revenue does meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

Unearned revenue recorded in governmental funds is generally not recorded in the Government-wide statements.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the Government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

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

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 the second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is 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.

Net Position and Fund Balance Classifications

Government-wide Statements

In the Government-wide statements, there are three classes of net position:

Net investment in capital assets - consists of net capital assets, (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements of those assets.

Restricted net position - reports net position when constraints placed on assets or deferred outflows of resources 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.

Restricted net position includes the following:

Unemployment insurance	\$	204,614
Retirement contributions		583,966
Insurance		64,520
Tax certiorari		1,618,381
Capital projects		431,841
Debt service		139,541
Repairs		81,519
Total restricted net position	\$	<u>3,124,382</u>

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements

In the fund basis statements there are five classifications of fund balance.

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually are required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school lunch fund.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The School District has available the following restricted fund balances:

Capital

Capital reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund under restricted fund balance.

Repair

Repair reserve (GML §6-d) is 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.

Workers' Compensation

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

Unemployment Insurance

Unemployment insurance reserve (GML §6-m) is 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 School 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.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Net Position and Fund Balance Classifications (Continued)
Governmental Fund Statements (Continued)

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. The reserve is accounted for in the general fund under restricted fund balance.

Insurance

Insurance reserve is 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. The reserve is accounted for in the general fund under restricted fund balance.

Liability Claims and Property Loss

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is 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 which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds 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. The reserve is accounted for in the general fund under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position and Fund Balance Classifications (Continued)
Governmental Fund Statements (Continued)

Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of 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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Committed fund balance – Includes amounts that can 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., the Board of Education. The District has no committed fund balances as of June 30, 2016.

Assigned fund balance – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. As of June 30, 2016, the District's encumbrances were classified as follows:

General Support	\$	58,260
Instruction		306,796
Employee Benefits		<u>3,217</u>
	\$	<u><u>368,273</u></u>

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position and Fund Balance Classifications (Continued)

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Explanation of Certain Differences between Governmental Fund Statements and Government-Wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the School District-wide 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.

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the School District's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued)

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

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 as reported on the statement of activities and changes in net position, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Stewardship, Compliance, And Accountability

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) that 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 the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations that occurred during the year.

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

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

2. CASH

The District's aggregate bank balances, included balances not covered by depository insurance at year-end, collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including trust funds	\$ 22,841,617	\$ 21,119,064
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 22,341,617	
Covered by FDIC insurance	<u>500,000</u>	
Total	<u>\$ 22,841,617</u>	

Restricted cash represents cash and cash equivalents where used is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

General fund:

Cash on deposit for reserves	
Unemployment insurance	\$ 204,614
Retirement	583,966
Insurance	64,520
Tax certiorari	1,618,381
Capital projects	431,841
Repair	<u>81,519</u>
Total general fund restricted cash	<u>\$ 2,984,841</u>
Total capital project fund restricted cash	<u>\$ 5,010,973</u>
Total debt service fund restricted cash	<u>\$ 229,053</u>

Trust and agency fund:

Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	<u>\$ 721,000</u>
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3. PARTICIPATION IN BOCES

During the year, the District was billed \$3,587,401 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$791,920.

4. CAPITAL ASSETS, NET

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

	July 1, 2015 <u>Balance</u>	Additions/ <u>Adjustments</u>	Deletions/ <u>Adjustments</u>	June 30, 2016 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 2,021,645	\$ -	\$ -	\$ 2,021,645
Construction in progress	<u>7,859,666</u>	<u>18,826,828</u>	<u>2,411,420</u>	<u>24,275,074</u>
Total non-depreciable cost	<u>\$ 9,881,311</u>	<u>\$ 18,826,828</u>	<u>\$ 2,411,420</u>	<u>\$ 26,296,719</u>
Capital assets that are depreciated:				
Land improvements	1,855,359	-	-	1,855,359
Buildings and improvements	133,006,725	2,540,653	-	135,547,378
Furniture and equipment	4,843,996	29,653	12,368	4,861,281
Vehicles	<u>326,199</u>	<u>90,379</u>	<u>32,800</u>	<u>383,778</u>
Total depreciable historical cost	<u>140,032,279</u>	<u>2,660,685</u>	<u>45,168</u>	<u>142,647,796</u>
Less accumulated depreciation:				
Land improvements	996,114	68,403	-	1,064,517
Buildings and improvements	37,309,727	2,498,499	-	39,808,226
Furniture and equipment	2,843,377	351,012	12,368	3,182,021
Vehicles	<u>222,081</u>	<u>29,692</u>	<u>32,800</u>	<u>218,973</u>
Total accumulated depreciation	<u>41,371,299</u>	<u>2,947,606</u>	<u>45,168</u>	<u>44,273,737</u>
Total capital assets, net	<u>\$ 108,542,291</u>	<u>\$ 18,539,907</u>	<u>\$ 2,411,420</u>	<u>\$ 124,670,778</u>

Depreciation expense for the year ended June 30, 2016, was allocated to specific functions as follows:

General government support	\$ 114,631
Instruction	2,822,289
Cost of sales	3,562
Transportation	<u>7,124</u>
Total Depreciation	<u>\$ 2,947,606</u>

5. SHORT-TERM DEBT

Transactions in short-term debt for the year ended June 30, 2016 are as follows:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	7/17/2015	0.3430%	\$ 1,196,248	\$ -	\$ 1,196,248	\$ -
BAN	7/17/2015	0.1590%	11,000,000	-	11,000,000	-
BAN	7/16/2016	0.1590%	-	25,000,000	-	25,000,000
BAN	7/16/2016	0.77%	-	1,704,110	-	1,704,110
			<u>\$ 12,196,248</u>	<u>\$ 26,704,110</u>	<u>\$ 12,196,248</u>	<u>\$ 26,704,110</u>

Interest paid on short-term debt for June 30, 2016 was \$121,962.

6. LONG-TERM DEBT

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

Interest paid	\$ 1,984,494
Less : interest accrued in the prior year	(267,321)
Less : amortization of gain on refunding	(237,677)
Plus : interest accrued in the current year	<u>242,685</u>
Total expense	<u>\$ 1,722,181</u>

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due Within</u> <u>One Year</u>	<u>Long-term</u> <u>Portion</u>
Government activities:						
Bonds and notes payable:						
Serial Bonds	\$ 46,395,000	\$ -	\$ 4,270,000	\$ 42,125,000	\$ 4,265,000	\$ 37,860,000
Installment-purchase obligations	<u>1,818,980</u>	<u>1,068,990</u>	<u>1,010,431</u>	<u>1,877,539</u>	<u>843,861</u>	<u>1,033,678</u>
Total bonds and notes payable	48,213,980	1,068,990	5,280,431	44,002,539	5,108,861	38,893,678
Other long-term debt:						
Compensated Absences (*)	611,052	-	41,976	569,076	-	569,076
Termination benefits payable (*)	1,891,691	358,342	-	2,250,033	-	2,250,033
Net pension liability (*)	1,817,080	6,525,101	-	8,342,181	-	8,342,181
Other postemployment benefits	<u>84,500,266</u>	<u>14,847,232</u>	<u>6,705,824</u>	<u>92,641,674</u>	<u>-</u>	<u>92,641,674</u>
Total Long Term Debt	<u>\$ 137,034,069</u>	<u>\$ 22,799,665</u>	<u>\$ 12,028,231</u>	<u>\$ 147,805,503</u>	<u>\$ 5,108,861</u>	<u>\$ 142,696,642</u>

(*) Additions and deletions to compensated absence, termination benefits and net pension liability balances are shown net because it is impractical to determine these amounts separately.

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2016</u> <u>Balance</u>
Improvement to school buildings	2008	2028	3.5 - 5.0%	\$ 2,175,000
Refunding bond - 2008	2008	2026	3.0 - 5.0%	415,000
Refunding bond - 2012	2012	2023	2.0 - 4.0%	10,100,000
Refunding bond - 2014	2014	2025	2.0 - 5.0%	<u>29,435,000</u>
				<u>\$ 42,125,000</u>

6. LONG-TERM DEBT (Continued)

The following is a summary of the maturity of bonds payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4,590,000	825,900	5,415,900
2022-2026	20,210,000	1,584,891	21,794,891
2027-2031	<u>435,000</u>	<u>29,206</u>	<u>464,206</u>
Total	<u>\$ 42,125,000</u>	<u>\$ 7,758,122</u>	<u>\$ 49,883,122</u>

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

The following is a summary of the maturity of installment purchase debt:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 843,861	\$ 22,137	\$ 865,998
2018	601,964	11,864	613,828
2019	383,222	4,758	387,980
2020	<u>48,492</u>	<u>799</u>	<u>49,291</u>
	<u>\$ 1,877,539</u>	<u>\$ 39,558</u>	<u>\$ 1,917,097</u>

7. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditures</u>
General fund	\$ 1,355,585	\$ 6,099	\$ 100,000	\$ 268,129
Special aid fund	-	1,223,410	268,129	-
School lunch fund	-	18,964	-	-
Debt service fund	10,488	100,000	-	100,000
Capital projects funds	142	10,879	-	-
Fiduciary funds	<u>487</u>	<u>7,350</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,366,702</u>	<u>\$ 1,366,702</u>	<u>\$ 368,129</u>	<u>\$ 368,129</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

7. INTERFUND BALANCES AND ACTIVITY (Continued)

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.

8. PENSION PLANS

New York State Employee Retirement System (NYSERS)

The District participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the NYSERS). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the NYSERS is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the NYSERS. The NYSERS benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an employer elects to participate in the NYSERS, 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.

Contributions

The NYSERS is noncontributory except for employees who joined the NYSERS after July 27, 1976, who contribute 3.0% percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSERS' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>NYSERS</u>
2016	\$ 2,451,484
2015	\$ 2,671,065
2014	\$ 2,800,073

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a net pension liability of \$8,342,181 for its proportionate share of the NYSERS net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016, the District's proportion was .0519753 percent, which was an increase of .0000181 from its proportion at share measured at June 30, 2015.

8. PENSION PLANS (Continued)

New York State Employee Retirement System (NYSERS) (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$3,026,302. At June 30, 2016, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,155	\$ 988,826
Changes of Assumptions	2,224,608	-
Net difference between projected and actual earnings on pension plan investments	4,949,039	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	205,797	38,906
Contributions subsequent to the measurement date	<u>631,565</u>	<u>-</u>
	<u>\$ 8,053,164</u>	<u>\$ 1,027,732</u>

The District recognized \$631,565 as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2015 which recognized a reduction of the net pension liability in the year ended June 30, 2016.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:		
2017	\$	1,625,404
2018		1,625,404
2019		1,625,404
2020		1,517,655
2021		-
Thereafter		-
	<u>\$</u>	<u>6,393,867</u>

Actuarial Assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The total pension liability for the March 31, 2015 measurement date was determined by using an actuarial valuation as of April 1, 2014.

8. PENSION PLANS (Continued)

New York State Employee Retirement System (NYSERS) (Continued)

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.5 percent
Salary scale	3.8 percent indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

<u>Asset Type</u>	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	38.0	7.30%
International Equity	13.0	8.55%
Private Equity	10.0	11.00%
Real Estate	8.0	8.25%
Absolute Return	3.0	6.75%
Opportunistic Portfolio	3.0	8.60%
Real Asset	3.0	8.65%
Bonds & Mortgages	18.0	4.00%
Cash	2.0	2.25%
Inflation-Indexed Bonds	2.0	4.00%
	<u>100%</u>	

8. PENSION PLANS (Continued)

New York State Employee Retirement System (NYSERS) (Continued)

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

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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 Plan's 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.

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

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

	1 % Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Proportionate Share of Net Pension liability (asset)	\$ 18,811,012	\$ 8,342,181	\$ (503,534)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2016 were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 172,303,544,000	\$ 89,555,284	0.0519753%
Net position	<u>(156,253,265,000)</u>	<u>(81,213,103)</u>	0.0519753%
Net pension liability (asset)	<u>\$ 16,050,279,000</u>	<u>\$ 8,342,181</u>	0.0519753%
Fiduciary net position as a percentage of total pension liability		90.7%	90.7%

8. PENSION PLANS (Continued)

New York State Teacher Retirement System

The District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. NYSTRS offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions

NYSTRS is noncontributory for employees who joined prior to July 27, 1976. For employees who joined NYSTRS after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. 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 NYSTRS 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>
2016	\$	6,984,747
2015	\$	8,807,921
2014	\$	8,060,996

8. PENSION PLANS (Continued)

New York State Teacher Retirement System (NYSTRS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2016, the District reported net pension asset of \$34,742,787 for its proportionate share of the NYSTRS net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016 the District's proportionate share was 0.334489%, which was a decrease of 0.001333 from its proportionate share measured at June 30, 2015.

For the year ended June 30, 2016, the District recognized pension income of \$2,291,102. At June 30, 2016 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 962,871
Changes of Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	10,982,376
Changes in proportion and differences between the District's contributions and proportionate share of contributions	58,922	-
Contributions subsequent to the measurement date	6,984,747	-
	<u>\$ 7,043,669</u>	<u>\$ 11,945,247</u>

The District recognized \$6,984,747 as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:	
2016	\$ (4,423,034)
2017	(4,423,034)
2018	(4,423,034)
2019	1,833,006
2020	(113,430)
Thereafter	(336,799)
	<u>\$ (11,886,325)</u>

8. PENSION PLANS (Continued)

New York State Teacher Retirement System (NYSTRS) (Continued)

Actuarial Assumptions

The total pension liability at the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension liability to June 30, 2015. Total pension liability at the June 30, 2014 measurement date, was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. These actuarial valuations used the following actuarial assumptions:

Inflation	3.00%															
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.															
	<table><thead><tr><th><u>Age</u></th><th><u>Female</u></th><th><u>Male</u></th></tr></thead><tbody><tr><td>25</td><td>10.35%</td><td>10.91%</td></tr><tr><td>35</td><td>6.26%</td><td>6.27%</td></tr><tr><td>45</td><td>5.39%</td><td>5.04%</td></tr><tr><td>55</td><td>4.42%</td><td>4.01%</td></tr></tbody></table>	<u>Age</u>	<u>Female</u>	<u>Male</u>	25	10.35%	10.91%	35	6.26%	6.27%	45	5.39%	5.04%	55	4.42%	4.01%
<u>Age</u>	<u>Female</u>	<u>Male</u>														
25	10.35%	10.91%														
35	6.26%	6.27%														
45	5.39%	5.04%														
55	4.42%	4.01%														
Projected COLAs	1.625% compounded annually															
Investment Rate of Return	8.0% compounded annually, net of pension plan investment expense, including inflation.															

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

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

8. PENSION PLANS (Continued)

New York State Teacher Retirement System (NYSTRS) (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Long Term Expected Rate of Return

<u>Asset Type</u>	Target Allocations in %	Long-term expected real rate of return in %
Domestic Equity	37.0	6.50%
International Equity	18.0	7.70%
Real Estate	10.0	4.60%
Alternative Investments	7.0	9.90%
Domestic Fixed Income Securities	17.0	2.10%
Global Fixed Income Securities	2.0	1.90%
Short term	1.0	1.20%
Mortgages	8.0	3.40%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' 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 (Asset) to the Discount Rate Assumption

The following presents the net pension liability (asset) of the District using the discount rate of 8.0 percent, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	1 % Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Proportionate Share of Net Pension liability (asset)	\$ 2,369,906	\$ (34,742,787)	\$ (66,392,121)

8. PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position

The components of the collective net pension liability (asset) of the participating school districts as of June 30, 2015, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 99,332,103,743	\$ 332,254,960	0.3344890%
Net position	<u>(109,718,916,659)</u>	<u>(366,997,747)</u>	0.3344890%
Net pension liability (asset)	<u>\$ (10,386,812,916)</u>	<u>\$ (34,742,787)</u>	0.3344890%
Fiduciary net position as a percentage of total pension liability	110.5%	110.5%	

9. OTHER POST-EMPLOYMENT BENEFITS

Plan description

The District provides post-employment, (health insurance, life insurance, etc.), coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. This District is required to calculate and record a net other post-employment benefit (OPEB) obligation at year-end. The net OPEB obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Annual OPEB cost and net OPEB obligation

The District's annual OPEB cost is calculated based on the annual required contribution of the employer, (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the District's net OPEB obligation:

Annual required contribution	\$ 16,165,932
Interest on net OPEB obligation	3,380,011
Adjustment to ARC	<u>(4,698,711)</u>
Annual OPEB cost (expense)	14,847,232
Contributions made	<u>(6,705,824)</u>
Increase in net OPEB obligation	8,141,408
Net OPEB obligation - beginning of year	<u>84,500,266</u>
Net OPEB obligation - end of year	<u>\$ 92,641,674</u>
Percentage of annual OPEB cost contributed	45.2%

9. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and net OPEB Obligation (Continued)

Trend information – The District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the preceding two years were as follows:

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>Contribution (ARC)</u>	<u>OPEB Cost Contributed</u>	<u>% of ARC Contributed</u>	<u>OPEB Obligation</u>
6/30/16	\$ 14,847,232	\$ 16,165,932	\$ 6,705,824	41.5%	\$ 92,641,674
6/30/15	14,288,746	15,470,893	5,538,626	35.8%	84,500,266
6/30/14	17,762,396	18,750,431	5,324,001	28.4%	75,750,145

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The OPEB Plan is currently not funded.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and 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, 2015 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Medical care cost trend rate	5.2% initially, based on age of retirees. The rate is reduced per year to an ultimate rate of 4.2% after 65 years.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Fixed dollar
Amortization basis	Closed

* As the plan is unfunded, the assumed discount rate considers that the District’s investment assets are low risk in nature, such as money market funds or certificates of deposit.

10. DEFERRED INFLOWS OF RESOURCES – GAIN ON REFUNDING

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.

11. 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 1% of the final year's 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 in one district 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 \$2,250,033 and is recorded as a long-term liability on the Statement of Net Position.

12. RISK MANAGEMENT

General Insurance - 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.

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.

Workers' Compensation Insurance - The District participates in the Putnam/Northern/Westchester School Cooperative Workers' Compensation Self-Insurance Plan, a risk sharing pool, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risk related to Workers' Compensation Claims. The Workers' Compensation Plan's total discounted liability for unbilled and open claims at June 30, 2016 was \$23,087,668 with a discount rate of 2.0%. The District's share of the liability for unbilled and open claims is \$1,035,944. The District also maintains a fund balance of \$2,393,333 with the Workers' Compensation Plan. Therefore, the District did not have a net long-term liability.

13. CONTINGENCIES AND COMMITMENTS

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. The District has tax certiorari pending with certain property owners. While the outcome of these matters is uncertain, the District intends to vigorously defend its position.

14. ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of [Statements 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. The District is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

In August 2015, the GASB issued Statement No. 77 *Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The District is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

The District has not assessed the impact of these statements on its future financial statements.

15. SUBSEQUENT EVENTS

On July 14, 2016, the District issued bond anticipation notes in the amount of \$31,655,434 and \$1,685,318, with a stated interest rate of 2.00% for building improvements and BOCES improvements respectively in the 2016-17 year. These bond anticipation notes are due on July 14, 2017.

REQUIRED SUPPLEMENTRY INFORMATION (UNAUDITED)

BEDFORD CENTRAL SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Encumbrances</i>	<i>Final Budget Variance with Budgetary Actual</i>
REVENUE					
Local sources:					
Real property taxes	\$ 107,166,949	\$ 107,166,949	\$ 107,132,804	\$ -	\$ (34,145)
Other tax items	8,293,475	8,293,475	8,220,307	-	(73,168)
Charges for services	1,921,800	2,020,853	2,051,273	-	30,420
Use of money and property	547,000	547,000	594,561	-	47,561
Sale of property and compensation for loss	5,000	5,000	23,477	-	18,477
Miscellaneous	<u>273,200</u>	<u>461,297</u>	<u>963,424</u>	-	<u>502,127</u>
Total local sources	118,207,424	118,494,574	118,985,846	-	491,272
State sources	<u>6,292,000</u>	<u>6,337,822</u>	<u>6,143,455</u>	-	<u>(194,367)</u>
Total revenue	<u>124,499,424</u>	<u>124,832,396</u>	<u>125,129,301</u>	-	<u>296,905</u>

(Continued)

BEDFORD CENTRAL SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED) (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	\$ 62,180	\$ 150,343	\$ 143,354	\$ 1,303	\$ 5,686
Central administration	413,206	392,045	387,048	-	4,997
Finance	971,997	1,039,974	998,868	16,031	25,075
Staff	805,958	786,310	733,542	1,700	51,068
Central services	8,464,407	8,230,352	7,596,251	37,726	596,375
Special items	<u>1,634,150</u>	<u>1,761,972</u>	<u>1,507,761</u>	<u>1,500</u>	<u>252,711</u>
Total general support	<u>12,351,898</u>	<u>12,360,996</u>	<u>11,366,824</u>	<u>58,260</u>	<u>935,912</u>
INSTRUCTION:					
Instruction, administration, and improvement	5,587,420	5,680,909	5,474,829	96,304	109,776
Teaching - regular school	41,458,614	41,693,095	41,585,601	33,461	74,033
Programs for children with handicapping conditions	9,745,187	11,226,180	11,017,186	167,971	41,023
Teaching - special school	50,000	45,100	40,763	-	4,337
Occupational education	1,197,393	1,197,393	1,197,393	-	-
Instructional media	2,773,431	2,764,221	2,690,169	2,057	71,995
Pupil services	<u>5,511,831</u>	<u>5,659,435</u>	<u>5,606,393</u>	<u>7,003</u>	<u>46,039</u>
Total instruction	66,323,876	68,266,333	67,612,334	306,796	347,203
Pupil transportation	8,445,767	8,443,073	8,362,022	-	81,051
Employee benefits	32,628,186	35,537,539	35,254,481	3,217	279,841
Debt service - principal	5,290,211	5,289,084	5,280,432	-	8,652
Debt service - interest	<u>1,884,486</u>	<u>1,885,613</u>	<u>1,884,125</u>	<u>-</u>	<u>1,488</u>
Total expenditures	126,924,424	131,782,638	129,760,218	368,273	1,654,147
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	100,000	100,000	100,000	-	-
Transfers (to) other funds	<u>(275,000)</u>	<u>(275,000)</u>	<u>(268,129)</u>	<u>-</u>	<u>6,871</u>
Total other financing sources (uses)	<u>(175,000)</u>	<u>(175,000)</u>	<u>(168,129)</u>	<u>-</u>	<u>6,871</u>
Total expenditures and other financing sources (uses)	<u>127,099,424</u>	<u>131,957,638</u>	<u>129,928,347</u>	<u>368,273</u>	<u>1,661,018</u>
NET CHANGE IN FUND BALANCE	(2,600,000)	(7,125,242)	(4,799,046)		
FUND BALANCE - beginning of year	<u>10,518,854</u>	<u>10,518,854</u>	<u>10,518,854</u>		
FUND BALANCE - end of year	<u>\$ 7,918,854</u>	<u>\$ 3,393,612</u>	<u>\$ 5,719,808</u>		

The accompanying notes are an integral part of these schedules

BEDFORD CENTRAL SCHOOL DISTRICT

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS PLAN (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a percentage of Covered Payroll
July 1, 2015	\$ -	\$ 169,409,823	\$ 169,409,823	0.00%	\$ 69,857,122	242.51%
July 1, 2014	\$ -	\$ 161,849,383	\$ 161,849,383	0.00%	\$ 66,818,467	242.22%
July 1, 2013	\$ -	\$ 191,971,195	\$ 191,971,195	0.00%	\$ 65,152,409	294.65%

The accompanying notes are an integral part of these schedules.

BEDFORD CENTRAL SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Proportion of the net pension liability (asset)	0.0519753%	0.5378770%	0.5378770%							
Proportionate share of the net pension liability (asset)	\$ 8,342	\$ 1,817	\$ 2,431							
Covered-employee payroll	13,720	14,060	13,858							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	60.80%	12.92%	17.54%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.68%	97.95%	97.20%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Proportion of the net pension liability (asset)	0.3344890%	0.3358220%	0.3391420%							
Proportionate share of the net pension liability (asset)	\$ (34,743)	\$ (37,408)	\$ (2,232)							
Covered-employee payroll	52,675	50,852	50,803							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.96%	73.56%	4.39%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.46%	111.48%	100.70%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

BEDFORD CENTRAL SCHOOL DISTRICT

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 2,451.5	\$ 2,671.1	\$ 2,800.1							
Contributions in relation to the contractually required contribution	2,451.5	2,671.1	2,800.1							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 13,720	\$ 14,060	\$ 13,858							
Contributions as a percentage of covered-employee payroll	17.87%	19.00%	20.21%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 6,984.7	\$ 8,807.9	\$ 8,061.0							
Contributions in relation to the contractually required contribution	6,984.7	8,807.9	8,061.0							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 52,675	\$ 50,852	\$ 50,803							
Contributions as a percentage of covered-employee payroll	13.26%	17.32%	15.87%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

SUPPLEMENTAL INFORMATION (UNAUDITED)

BEDFORD CENTRAL SCHOOL DISTRICT

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND THE REAL PROPERTY TAX LIMIT (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 127,199,424
Add: Prior year's encumbrances	<u>440,698</u>
Original budget	127,640,122
Budget revisions	<u>4,417,516</u>
Final budget	<u><u>\$ 132,057,638</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 voter-approved expenditure budget	\$ 126,804,885	
Maximum allowed (4% of 2016-17 budget)		\$ 5,072,195
General fund, fund balance subject to section 1318 of real property tax law*:		
Unrestricted fund balance:		
Committed fund balance		\$ -
Assigned fund balance		688,273
Unassigned fund balance		<u>2,045,051</u>
Total Unrestricted Fund Balance		<u><u>\$ 2,733,324</u></u>
Less:		
Appropriated fund balance	320,000	
Encumbrances included in committed and assigned fund balance	<u>368,273</u>	
Total adjustments	<u><u>688,273</u></u>	
General fund, fund balance subject to section 1318 of real property tax law		<u><u>\$ 2,045,051</u></u>
Actual percentage		1.61%

*Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

BEDFORD CENTRAL SCHOOL DISTRICT

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016**

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2016
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
<u>Capitalized:</u>											
13-14 Bond Authorization \$31.8 million	\$ 31,828,238	\$ 31,828,238	\$ 7,859,666	\$ 13,507,813	\$ 21,367,479	\$ 10,460,759	\$ -	\$ 7,000	\$ -	\$ 7,000	\$ (21,360,479)
01-02 Interfund transfers	635,000	635,000	615,331	-	615,331	19,669	-	-	635,000	635,000	19,669
02-03 Interfund transfers	470,000	470,000	470,000	-	470,000	-	-	-	470,000	470,000	-
04-05 Interfund transfers	1,314,005	1,314,005	1,239,504	-	1,239,504	74,501	-	-	1,314,005	1,314,005	74,501
06-07 Interfund transfers	1,004,464	1,004,464	969,464	-	969,464	35,000	-	-	1,004,464	1,004,464	35,000
10-11 Interfund transfers	255,000	255,000	235,000	-	235,000	20,000	-	-	255,000	255,000	20,000
14-15 Interfund transfers - capitalized	57,851	57,851	56,205	1,646	57,851	-	-	-	57,851	57,851	-
14-15 Canon Lease - Copiers	591,301	591,301	591,301	-	591,301	-	591,301	-	-	591,301	-
<u>Not capitalized:</u>											
15-16 Capital Lease - Computers	1,820,599	1,820,599	841,988	978,611	1,820,599	-	1,820,599	-	-	1,820,599	-
15-16 Interfund transfers - not capitalized	319,149	319,149	313,991	5,158	319,149	-	-	-	319,149	319,149	-
BOCES - Capital Improvements	1,704,110	1,704,110	1,196,248	507,862	1,704,110	-	-	-	-	-	(1,704,110)
Total	\$ 39,999,717	\$ 39,999,717	\$ 14,388,698	\$ 15,001,090	\$ 29,389,788	\$ 10,609,929	\$ 2,411,900	\$ 7,000	\$ 4,055,469	\$ 6,474,369	\$ (22,915,419)

The accompanying notes are an integral part of these schedules.

BEDFORD CENTRAL SCHOOL DISTRICT

**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016**

Capital assets, net	<u>\$ 124,670,778</u>
Deduct:	
Defeasance gain	1,750,559
Bond anticipation note payable	26,704,110
Short-term portion of installment debt payable	843,861
Long-term portion of installment debt payable	1,033,678
Short-term portion of bonds payable	4,265,000
Long-term portion of bonds payable	37,860,000
Less: Unspent bond anticipation note proceeds	<u>-</u>
	<u>72,457,208</u>
Net investment in capital assets	<u>\$ 52,213,570</u>

The accompanying notes are an integral part of these schedules.

REQUIRED REPORT UNDER *GOVERNMENT AUDITING STANDARDS*

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

October 20, 2016

To the Board of Education of
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 aggregate remaining fund information of the Bedford Central School District (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 20, 2016.

Internal Control over Financial Reporting

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

(Continued)

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*

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.