
**Blind Brook–Rye Union Free School District
School Business Office
390 North Ridge Street
Rye Brook, NY 10573**

TO: Jonathan Ross

FROM: Mikaela Coni

RE: **External Auditors' Management Letter and Audit Report
Year Ending June 30, 2016**

DATE: September 1, 2016

Enclosed herewith for your review is a copy of the management letter dated 8/19/16 that corresponds to the 2016 Financial Statements/Auditors' Report, submitted by the District's auditing firm, PKF O'Connor Davies, LLP. I have carefully considered the contents of the letter and find it noteworthy that no deficiencies in internal control were identified. Accordingly, I am not recommending any corrective actions at this time.

In Addendum A, the auditors review the GASB Statements 75 and 77 which identify new reporting requirements for governments. GASB Statement 75 relates to the financial reporting for postemployment benefits other than pensions (OPEB). This Statement has replaced GASB No. 45 which becomes effective in 2017-2018. GASB Statement 77 relates to tax abatement disclosures which becomes effective in 2016-2017. While I do not expect this Statement to impact our School District in the short term, it could someday if the Board enters into PILOT agreements in the future. Both of these disclosures were included in the management letter for informational purposes.

In summary, I believe the financial statements and audit report prepared by PKFOD for the year ending 6/30/16 represent that the District is in satisfactory financial condition and that it has effective internal controls in place in its business office. A copy of this memo and audit materials will be forwarded to members of the Audit Committee and a meeting of the Committee will be scheduled to discuss the report with Scott Oling, Partner at PKFOD. For now, Scott is scheduled to attend the October Board Meeting to discuss the audit report with the Board in public session.

Please be sure to read the Management Discussion and Analysis section of the report. If you have any questions or suggestions that might help our business office function with greater operating efficiency please let me know.

Enclosure

**Blind Brook-Rye Union Free
School District, New York**

Financial Statements and
Supplementary Information

Year Ended June 30, 2016

Blind Brook-Rye Union Free School District, New York

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Blind Brook-Rye Union Free School District, New York

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Independent Auditors' Report

**The Board of Education of the
Blind Brook-Rye Union Free School District, New York**

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 Blind Brook-Rye Union Free School District, New York ("School District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General and Special Aid funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2016 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 School District's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

August 17, 2016



**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***

Independent Auditors' Report

**The Board of Education of the
Blind Brook-Rye Union Free School District, New York**

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 Blind Brook-Rye Union Free School District, New York ("School District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated August 17, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the School District in a separate letter.

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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

August 17, 2016

Blind Brook-Rye Union Free School District
Rye Brook, New York

Management's Discussion and Analysis (MD&A)
June 30, 2016

This discussion and analysis of the Blind Brook-Rye Union Free School District, New York's ("School District") financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. It should be read in conjunction with the basic financial statements, which immediately follow this section, to enhance understanding of the School District's financial performance.

Financial Highlights for FY 2015-2016

Key financial highlights for fiscal year 2015-2016 are as follows:

- The amount of unassigned fund balance that can be retained by the General Fund is limited to no more than 4% of the ensuing year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,729,068, or 4.0%, and therefore within the statutory limit.
- As of the close of the current fiscal year, the School Districts governmental fund financial statements report a combined ending fund balance of \$5,683,296. Within these statements, a decrease in the total restricted fund balance of \$2,914,790 (primarily from the expending of the balance of the funds borrowed for the energy performance contract) and an increase in the total assigned fund balance of \$237,202, were the primary factors driving the overall net decrease of \$2,661,721 in the total fund balance from the prior year. In spite of this net decrease, the School District was still able to maintain resources in the restricted component of fund balance for tax certiorari claims and compensated absences. It did see its retirement contributions restriction increase by \$87,553, as this amount will help fund future New York State Employees' Retirement System obligations. The General Fund's unassigned fund balance of \$1,729,068 represents about 35% of the total fund balance of the General Fund. Also noteworthy about the fund balance is that it includes an amount restricted for debt service of \$328,862, which may be used to help offset future debt service obligations, and a Capital Projects Fund fund balance of \$297,223, an amount available to help finance a current construction project at the BMP Ridge Street School. Exclusive of the restricted Debt Service and Capital Projects funds, the combined ending fund balances are \$5,057,211.
- Of special note is the fact that the School District was able to budget \$1,365,000 as an appropriated surplus contribution to reduce the tax levy associated with the 2015-2016 budget and \$1,550,000 for the same purpose with the 2016-2017 budget. Favorable School District financial operations have permitted these management actions in recent years.
- On the district-wide financial statements, the assets and deferred outflows of resources of the School District exceeded liabilities and deferred inflows of resources at the close of its most recent fiscal year by \$15,933,363. The School District's total net position increased by \$2,504,644 for the year ended June 30, 2016. The district-wide financial statements must report certain items in accordance with the pronouncements of the Governmental Accounting Standards Board ("GASB"). The GASB is charged with developing the accounting rules that apply to governments, including school districts and BOCES. One of the most significant of these standards requires the School District to recognize the financial impact associated with other postemployment benefit ("OPEB") obligations under the provisions of GASB Statement No. 45. These obligations include any benefits provided to retirees, other than a pension, including health insurance, life insurance, vision, dental, etc. GASB Statement No. 45 established standards for accrual based measurement and recognition of OPEB expenses over periods that approximate employees' years of active service, as well as the required note

disclosures. For the year ending June 30, 2016, the School District's OPEB obligations of \$16,338,251 are reflected as a liability on the district-wide Statement of Net Position and impacts the total net position calculation. More detailed information about the School District's OPEB obligations reported in accordance with the provisions of GASB Statement No. 45 is presented in note 3, D in the notes to financial statements.

- Also noteworthy on the district-wide financial statements for the year ended June 30, 2016, is the provisions of GASB Statement No. 68. This pronouncement established accounting and financial reporting requirements associated with the School District's participation in the cost sharing multiple employer pension plans administered by the New York State and Local Employees' Retirement System ("ERS") and the New York State Teachers' Retirement System ("TRS"). Under these standards, cost-sharing employers are required to report in their district-wide financial statements a net pension liability (asset), pension expense and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all of the municipalities and school districts in the plan. At June 30, 2016, the School District reported in its Statement of Net Position a liability of \$1,722,595 for its proportionate share of the ERS net pension liability, while also reporting a pension asset of \$12,701,354 for its proportionate share of the TRS net pension asset. More detailed information about the School District's pension plan reporting in accordance with the provisions of GASB Statement No. 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in note 3, D in the notes to financial statements.
- During the current fiscal year, the School District did not issue any new bonded indebtedness for construction. The School District retired \$1,565,000 of bonded indebtedness and \$53,154 in obligations associated with its energy performance contract.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements and (3) notes to financial statements. This report also contains combining and individual fund financial statements and schedules in addition to the basic financial statements.

District-Wide Financial Statements

- The *district-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.
 - The *statement of net position* presents information on all of the School District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.
 - The *statement of activities* presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
 - The *governmental* activities of the School District include instruction, pupil transportation, cost of food sales, interest and general administrative support.

The district-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.
- *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.
- Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.
- The School District maintains seven individual governmental funds; General Fund, Special Aid Fund, School Lunch Fund, Special Purpose Fund, Debt Service Fund, Capital Projects Fund and Permanent Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Special Aid and the Capital Projects funds, which are considered to be major funds. Data for the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.
- The School District adopts an annual budget for its General and Special Aid funds. A budgetary comparison statement has been provided for these funds within the basic financial statements to demonstrate compliance with the respective budgets.
- The *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity on behalf of others. Fiduciary funds are not reflected in the district-wide financial statement because the resources of these funds are not available to support the School District's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statements section of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to financial statements can be found following the basic financial statements section of this report.

Other Information

Additional statements and schedules can be found immediately following the notes to the financial statements. These include the required supplementary information for the School District's other postemployment and pension benefit obligations, the combining statements for the non-major governmental funds and schedules of budget to actual comparisons.

District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position. This MD&A includes a summary of two district-wide statements that focus on operations of the School District as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

In the case of the School District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,933,363 for the year ending June 30, 2016.

Net Position

	June 30,	
	2016	2015
Current Assets	\$ 21,849,080	\$ 26,326,859
Capital Assets, net	35,019,665	33,029,411
Total Assets	56,868,745	59,356,270
Deferred Outflows of Resources	4,545,575	3,724,249
Current Liabilities	3,637,727	4,268,886
Long-Term Liabilities	37,250,620	35,838,168
Total Liabilities	40,888,347	40,107,054
Deferred Inflows of Resources	4,592,610	9,544,791
Net Position		
Net Investment in Capital Assets	16,804,417	16,029,218
Restricted for		
Capital Projects	285,706	239,501
Debt Service	328,862	324,062
Tax Certiorari	493,372	491,827
Retirement Contributions	375,535	287,982
School Lunch	89,195	83,706
Special Purposes	67,926	81,056
Permanent Fund	2,998	3,047
Unrestricted	(2,514,648)	(4,111,680)
Total Net Position	\$ 15,933,363	\$ 13,428,719

The largest component of the School District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending.

Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Those assets subject to external restrictions constitute 10% of net position. There is a negative balance of unrestricted net position, which is \$2,514,648, primarily a result of the recognition of the OPEB liabilities. Overall, net position increased by \$2,504,644 from the prior year, primarily from the recording of the net pension asset of TRS.

Changes in Net Position

	June 30,	
	2016	2015
REVENUES		
Program Revenues		
Charges for Services	\$ 1,356,044	\$ 1,427,606
Operating Grants and Contributions	904,464	716,229
Capital Grants and Contributions	141,727	4,334
Total Program Revenues	2,402,235	2,148,169
General Revenues		
Real Property Taxes	34,705,435	33,417,566
Other Tax Items	2,593,255	3,332,316
Non-Property Taxes	336,179	330,291
Unrestricted Use of Money and Property	31,084	33,778
Forfeitures	2,380	4,984
Unrestricted State Aid	2,550,123	2,493,278
Miscellaneous	185,253	291,095
Total General Revenues	40,403,709	39,903,308
Total Revenues	42,805,944	42,051,477
PROGRAM EXPENSES		
General Support	3,807,719	4,304,970
Instruction	34,105,470	32,426,760
Pupil Transportation	1,293,869	1,348,198
Cost of Food Sales	594,951	614,942
Interest	499,291	602,016
Total Expenses	40,301,300	39,296,886
Change in Net Position	2,504,644	2,754,591
NET POSITION		
Beginning, as reported	13,428,719	7,196,094
Cumulative Effect of Change in Accounting Principle	-	3,478,034
Beginning, as restated	13,428,719	10,674,128
Ending	\$ 15,933,363	\$ 13,428,719

As seen above, governmental activities increased the School District's net position by \$2,504,644 during the current fiscal year. Noteworthy is the impact of the requirements of GASB Statement No. 45 that requires recognition of OPEB expenses and the provisions of GASB Statement No. 68 that requires the recognition of pension expenses. Other changes in these activities are described below:

Revenues

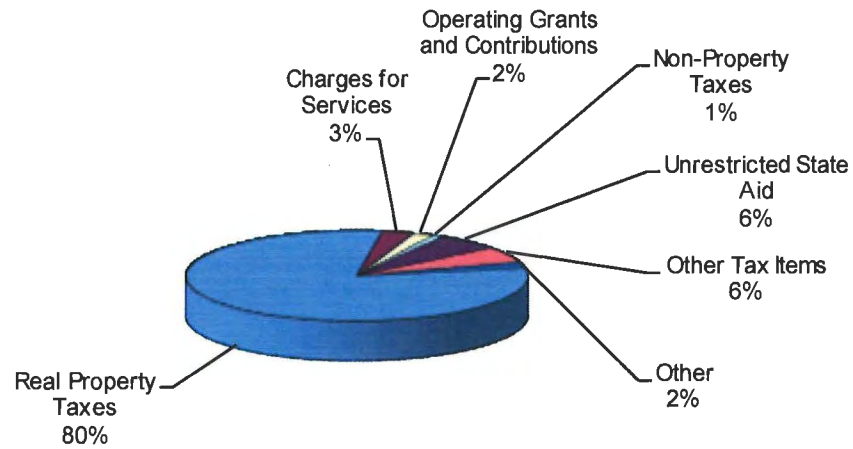
- Real property taxes increased by \$1,287,869. Although this was a result of a higher tax levy in the 2015-2016 fiscal year, it is noteworthy that it was under the maximum allowable tax levy limit associated with the NYS Real Property Tax Cap Legislation.
- Other tax items include reimbursements received from the School Tax Relief Reimbursement Program ("STAR") and payments in lieu of taxes ("PILOT"). The School District's two PILOT agreements expired at the end of the prior fiscal year and these properties were restored to the real property tax rolls. As a result, PILOT revenues decreased by \$961,092. STAR payments to the School District increased slightly from the prior year, as a result of the continuation of the 2% cap on STAR savings.
- The School District continues to experience low earnings on investments as a result of remarkably low rates being paid by banks. It received only \$31,084 in unrestricted interest earnings in 2015-2016, \$2,694 less than it received in the prior year.
- Non-property taxes increased by \$5,888 from the prior year reflecting a slight increase in sales tax revenue received by the School District from Westchester County in 2015-2016.
- Unrestricted State Aid allocated to the School District increased by \$56,845 from prior year amounts as a result of changes to the final Legislative enacted budget. Overall, the School District received slightly more than \$2.55 million in unrestricted State aid during this fiscal year.

Expenses

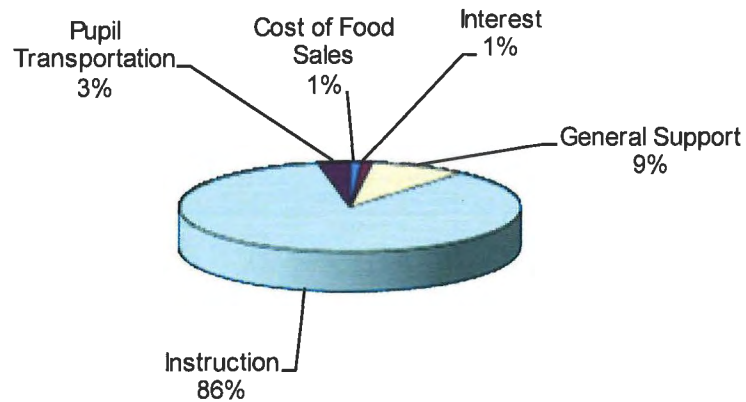
- General Support expenses decreased by \$497,251. This decrease was a result of lower central services charges within the operation and maintenance of plant function of the School District. This decrease was primarily driven by utility savings as a result of the energy performance contract.
- Instruction program expenses increased by \$1,678,710 or 5.18% from the prior year. In part, this increase was due to mandates imposed on the School District as a result of existing collective bargaining agreements and the Triborough Amendment to the Taylor Law (as they relate to salaries and benefits paid to employees). It is also partly the result of the decrease in the School District's proportionate share of the TRS pension assets compared to the prior fiscal year end.
- Pupil transportation costs decreased by \$54,239 in spite of transporting scores of resident students to private and special education schools located outside the School District's borders. This was accomplished by efficient routing and bidding of these out-of-district routes.
- The decrease in interest paid on outstanding debt was anticipated as a result of the savings gleaned from refinancing the 2005 serial bonds. Overall, debt service interest costs decreased by \$102,725 in 2015-2016.

As indicated on the charts located on the following page, the School District relies upon real property taxes as its primary revenue source. The School District's instruction costs account for 86% of its expenses.

Sources of Revenue for Fiscal Year 2016 Governmental Activities



Expenses for Fiscal Year 2016 Governmental Activities



Fund Balance Reporting

GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in February 2009. The requirements of GASB Statement No. 54 became effective for financial statements beginning with the period ending June 30, 2011. GASB Statement No. 54 abandoned the reserved and unreserved classifications of fund balance and replaced them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications follows below.

Nonspendable – consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted – consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

Note: According to the Office of the State Comptroller, school districts in New York will not have committed fund balance to report.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned – represents the residual classification for the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

These changes were made to reflect spending constraints on resources, rather than availability for appropriations and to bring greater clarity and consistency to fund balance reporting. According to GASB, this pronouncement should result in an improvement in the usefulness of fund balance information.

Financial Analysis of the School District's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a School District's net resources available for discretionary use as it represents the portion of

fund balance which has not yet been limited to use for a particular purpose by either an external party, the School District itself, or an individual that has been delegated authority to assign resources for use for particular purposes by the Board of Education.

As of the end of the current fiscal year, the School District's governmental funds reported combined fund balances of \$5,683,296, a decrease of \$2,661,721, or 31.9% from the prior year. A decrease in the total fund balance of the Capital Projects Fund of \$2,998,206 (from the completion of the Energy Performance Contract project in the current year from monies borrowed in the prior year) was a primary factor driving the overall decrease in combined total fund balances from the prior year. It is important to reiterate that in spite of the overall decrease, the unassigned fund balance of the General Fund was \$1,729,068 or 4.0% of the 2016-2017 School District's budget.

General Fund Budgetary Highlights

The General Fund is the primary operating fund of the School District. The adopted budget for fiscal year 2015-2016 of \$42,635,896 was increased by \$134,091 as a result of the rollover of prior year encumbrances and the appropriation of fund balance. As is typical during the fiscal year, appropriation transfers within the budget were made to address the operational needs of the School District. The final adjusted budget for the fiscal year ending June 30, 2016 was \$42,769,987.

Revenues exceeded the amount contained in the budget by \$65,364, and savings of \$1,681,075 were derived on the expenditure side of the budget, thus creating an operating surplus \$1,746,439 at June 30, 2016. The expenditure savings occurred as a result of favorable salary breakage across most functional areas, lower than expected employee benefits costs, and other savings realized by curtailing discretionary spending in all functional areas.

At the end of the current fiscal year, the total fund balance of the General Fund was \$4,897,092, of which \$1,729,068 was unassigned, representing 4.0% of the ensuing year's budget. As previously mentioned, New York State Law limits the amount of unassigned fund balance that can be retained to 4% of the ensuing year's budget, exclusive of the amount assigned for the subsequent year's budget.

The table on the following page outlines the various balances that comprise the total fund balance as of June 30, 2016 according to their GASB Statement No. 54 classifications along with what the former classifications would have been. More detailed information about the School District's fund balance is presented in note 3, G. in the notes to financial statements.

Total Fund Balance Classifications

GASB Statement No. 54 Classification	Previous Classifications	Fund Balance
Nonspendable Fund Balance	Reserved for Prepaid Expenditures	\$ 334,441
	Reserved for Inventories (School Lunch Fund)	2,939
	Reserved for Trust (Permanent Fund)	<u>2,920</u>
		<u>340,300</u>
Restricted Fund Balance	Reserved for Tax Certiorari	493,372
	Reserved for Employee Benefit Accrued Liability	322,649
	Reserved for Retirement Contributions	375,535
	Reserved for Debt Service (Debt Service Fund)	328,862
	Capital Projects Fund Balance	297,223
	Reserved for Trusts (Special Purpose Fund)	67,926
	Permanent Fund Unreserved Fund Balance	<u>78</u>
		<u>1,885,645</u>
Assigned Fund Balance	Reserved for Encumbrances:	
	General Government Support	76,008
	Instruction	16,019
	School Lunch Fund Unreserved Fund Balance	86,256
	Appropriated Fund Balance -	
	Unreserved and undesignated	<u>1,550,000</u>
		<u>1,728,283</u>
Unassigned Fund Balance	Unreserved and Undesignated - General Fund	<u>1,729,068</u>
Total Fund Balance (as of 6/30/16)		<u>\$ 5,683,296</u>

Capital Assets

At June 30, 2016, the School District had capital assets of \$35,019,665, net of accumulated depreciation, invested in a broad range of capital assets, including land, buildings and improvements and machinery and equipment. The change in capital assets, net of accumulated depreciation, is delineated below and provides comparative balances from the prior year.

Class	June 30,	
	2016	2015
Land	\$ 985,788	\$ 985,788
Construction-in-progress	84,802	48,465
Buildings and Improvements	33,730,876	31,752,649
Machinery and Equipment	<u>218,199</u>	<u>242,509</u>
Total Capital Assets, net of accumulated depreciation	<u>\$ 35,019,665</u>	<u>\$ 33,029,411</u>

The change in capital assets during the current fiscal year results from the completion of the energy performance contract capital project in the amount of approximately \$3 million, offset by depreciation expense of \$1.1 million, for a net increase of approximately \$1.9 million.

More detailed information about the School District's capital assets is presented in note 3, B. in the notes to financial statements.

Long-Term Debt

The School District had general obligation and other long-term debt outstanding as follows:

	June 30,	
	2016	2015
Bonds Payable	\$ 15,354,512	\$ 17,154,804
Energy Performance		
Contract Payable	3,017,613	3,070,767
Compensated Absences	322,649	344,429
Net Pension Liability	1,722,595	389,326
Retirement Incentive Payable	495,000	660,000
Other Post Employment		
Benefit Obligations	16,338,251	14,218,842
 Total	 <u>\$ 37,250,620</u>	 <u>\$ 35,838,168</u>

During the 2015-2016 fiscal year, the School District did not issue any new construction bonds to finance the cost of new additions and alterations to School District facilities nor did it enter into any new installment purchase agreements to fund the purchase of equipment. The School District did not issue tax anticipation notes or bond anticipation notes during the fiscal year.

At June 30, 2016, the School District reported a liability of \$1,722,595 for its proportionate share of the net pension liability of ERS. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

More detailed information about the School District's long-term liabilities is presented in note 3, D. in the notes to financial statements.

Conclusion

The School District is financially sound; it maintains a credit rating of Aa2. In spite of the uncertain economic times, rising personnel costs, additional State Education Department mandates, and particularly ambitious educational goals, the School District is prepared to meet future challenges. It has positioned the educational, financial, and human resources necessary to remain a stable and strong entity ready to serve the school-aged children of the Blind Brook community with an educational plan that provides academic rigor and high standards for all.

Effective internal controls are in place in its business office as is a prudent budget process, which yields a spending plan each year that is approved by the School Board and resident voters. The School District's total fund balance within its General Fund was \$4,897,092 for the year ended June 30, 2016. The School District has an unassigned fund balance in the General Fund of \$1,729,068, or 4.0% of the

2016-2017 budget. It has an additional \$1,642,027 in its assigned fund balances, of which \$1,550,000 has been appropriated to the 2016-2017 budget, and it has a restricted fund balance of \$1,191,556.

The School District heavily depends on its real property taxes, which represent approximately 80% of its revenue, exclusive of STAR funds. Although there are many unfunded mandates imposed on it, the School District requested a tax rate increase that is below Blind Brook's allowable tax levy increase for the 2015-2016 fiscal year. At the same time, the School District's share of State Aid is expected to be only slightly more than in the prior year. The challenge of presenting a fiscally responsible budget while meeting the needs of children will continue to require effective and efficient management of School District operations now and in future years. This is especially true considering the property tax cap law, enacted in Chapter 97 of the Laws of 2011, and extended by Chapter 20 of the Laws of 2015, which restricts tax levy increases for New York State local governments including public school districts.

This School District and Board monitor its fiscal health through analyses of monthly financial reports and the utilization of various audits. These analyses and audits assist in identifying areas of potential financial stress, developing realistic budgets that serve the academic and emotional needs of students, as well as, in making timely decisions when faced with important financial decisions. There are four types of auditors that assist in the School District setting: claims auditor, internal auditor, external auditor, and State auditors. Each has a very important role in ensuring that the School District is financially solvent and that the School Board upholds its fiduciary responsibilities to its community. They each inform that the School District's financial operations are performing in accordance with state laws and/or existing School Board policies and administrative regulations.

The audited financial statements that follow capture relevant data thus, validating the overall financial position of the School District for the year ending June 30, 2016.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Blind Brook-Rye Union Free School District
Attention: Jonathan Ross, Ed.D.
Superintendent of Schools
390 North Ridge Street
Rye Brook, New York 10573

Visit our Website at **www.blindbrook.org**

Blind Brook - Rye Union Free School District, New York

Statement of Net Position

June 30, 2016

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 3,928,167
Restricted cash	16,642
Investments	3,909,673
Receivables	
Accounts	28,730
State and Federal aid	843,124
Due from other governments	84,010
Inventories	2,939
Prepaid expenses	334,441
Net pension asset	12,701,354
Capital assets	
Not being depreciated	1,070,590
Being depreciated, net	33,949,075
Total Assets	56,868,745
DEFERRED OUTFLOWS OF RESOURCES	4,545,575
LIABILITIES	
Accounts payable	313,497
Accrued liabilities	143,525
Unearned revenues	41,950
Due to other governments	76,325
Due to retirement systems	2,889,133
Accrued interest payable	173,297
Non-current liabilities	
Due within one year	1,869,999
Due in more than one year	35,380,621
Total Liabilities	40,888,347
DEFERRED INFLOWS OF RESOURCES	4,592,610
NET POSITION	
Net investment in capital assets	16,804,417
Restricted	
Capital projects	285,706
Debt service	328,862
Tax certiorari	493,372
Retirement contributions	375,535
School lunch	89,195
Special purposes	67,926
Permanent Fund	2,998
Unrestricted	(2,514,648)
Total Net Position	\$ 15,933,363

The notes to financial statements are an integral part of this statement.

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Blind Brook - Rye Union Free School District, New York

Statement of Activities
Year Ended June 30, 2016

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General support	\$ 3,807,719	\$ 107,922	\$ 1,741	\$ -	\$ (3,698,056)
Instruction	34,105,470	674,383	857,507	136,927	(32,436,653)
Pupil transportation	1,293,869	25,128	-	-	(1,268,741)
Cost of food sales	594,951	548,611	45,216	-	(1,124)
Interest	499,291	-	-	4,800	(494,491)
Total Governmental Activities	<u>\$ 40,301,300</u>	<u>\$ 1,356,044</u>	<u>\$ 904,464</u>	<u>\$ 141,727</u>	<u>(37,899,065)</u>
General revenues					
Real property taxes					34,705,435
Other tax items					
School tax relief reimbursement					2,593,255
Non-property taxes					
Non-property tax distribution from County					336,179
Unrestricted use of money and property					31,084
Sale of property and compensation for loss					2,380
Unrestricted State aid					2,550,123
Miscellaneous					185,253
Total General Revenues					<u>40,403,709</u>
Change in Net Position					2,504,644
Net Position - Beginning					<u>13,428,719</u>
Net Position - Ending					<u>\$ 15,933,363</u>

The notes to financial statements are an integral part of this statement.

Blind Brook - Rye Union Free School District, New York

Balance Sheet
 Governmental Funds
 June 30, 2016

	General	Special Aid	Capital Projects
ASSETS			
Cash and equivalents	\$ 3,116,300	\$ 35,051	\$ 260,691
Restricted cash	-	-	16,642
Investments	3,909,673	-	-
Receivables			
Accounts	28,682	-	-
State and Federal aid	210,311	494,030	136,927
Due from other governments	84,010	-	-
Due from other funds	546,643	-	-
Inventories	-	-	-
Prepaid expenditures	334,441	-	-
Total Assets	<u>\$ 8,230,060</u>	<u>\$ 529,081</u>	<u>\$ 414,260</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 223,985	\$ 16,750	\$ 55,190
Accrued liabilities	143,525	-	-
Unearned revenues	-	2,413	-
Due to other funds	-	509,918	61,847
Due to other governments	76,325	-	-
Due to retirement systems	2,889,133	-	-
Total Liabilities	<u>3,332,968</u>	<u>529,081</u>	<u>117,037</u>
Fund balances			
Nonspendable	334,441	-	-
Restricted	1,191,556	-	297,223
Assigned	1,642,027	-	-
Unassigned	1,729,068	-	-
Total Fund Balances	<u>4,897,092</u>	<u>-</u>	<u>297,223</u>
Total Liabilities and Fund Balances	<u>\$ 8,230,060</u>	<u>\$ 529,081</u>	<u>\$ 414,260</u>

The notes to the financial statements are an integral part of this statement.

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ 516,125	\$ 3,928,167
-	16,642
-	3,909,673
48	28,730
1,856	843,124
-	84,010
25,122	571,765
2,939	2,939
-	334,441
<u>\$ 546,090</u>	<u>\$ 9,719,491</u>

\$ 17,572	\$ 313,497
-	143,525
39,537	41,950
-	571,765
-	76,325
-	2,889,133
<u>57,109</u>	<u>4,036,195</u>

5,859	340,300
396,866	1,885,645
86,256	1,728,283
-	1,729,068
<u>488,981</u>	<u>5,683,296</u>

<u>\$ 546,090</u>	<u>\$ 9,719,491</u>
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Blind Brook - Rye Union Free School District, New YorkReconciliation of Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position
June 30, 2016

Fund Balances - Total Governmental Funds	\$ 5,683,296
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Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>35,019,665</u>
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Governmental funds do not report the effect of losses on refunding bonds and assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities.

Deferred amounts on refunding bonds	145,360
Deferred amounts on net pension assets (liabilities)	<u>(192,395)</u>
	<u>(47,035)</u>

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension assets	<u>12,701,354</u>
----------------	-------------------

Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest payable	(173,297)
Bonds payable	(15,354,512)
Energy performance contract payable	(3,017,613)
Compensated absences	(322,649)
Net pension obligation	(1,722,595)
Retirement incentive payable	(495,000)
Other post employment benefit obligations payable	<u>(16,338,251)</u>
	<u>(37,423,917)</u>

Net Position of Governmental Activities	<u><u>\$ 15,933,363</u></u>
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The notes to financial statements are an integral part of this statement.

Blind Brook - Rye Union Free School District, New York

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2016

	General	Special Aid	Capital Projects
REVENUES			
Real property taxes	\$ 34,705,435	\$ -	\$ -
Other tax items	2,593,255	-	-
Non-property taxes	336,179	-	-
Charges for services	699,511	-	-
Use of money and property	140,747	-	-
Sale of property and compensation for loss	2,380	-	-
State aid	2,673,500	171,516	136,927
Federal aid	-	523,944	-
Food sales	-	-	-
Miscellaneous	185,253	-	-
Total Revenues	41,336,260	695,460	136,927
EXPENDITURES			
Current			
General support	3,392,053	-	-
Instruction	24,768,186	730,511	-
Pupil transportation	1,100,586	-	-
Employee benefits	9,259,591	-	-
Cost of food sales	-	-	-
Capital outlay	-	-	3,232,511
Debt service			
Principal	1,618,154	-	-
Interest	725,886	-	-
Total Expenditures	40,864,456	730,511	3,232,511
Excess (Deficiency) of Revenues Over Expenditures	471,804	(35,051)	(3,095,584)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	35,051	97,378
Transfers out	(132,429)	-	-
Total Other Financing Sources (Uses)	(132,429)	35,051	97,378
Net Change in Fund Balances	339,375	-	(2,998,206)
FUND BALANCES			
Beginning of Year	4,557,717	-	3,295,429
End of Year	\$ 4,897,092	\$ -	\$ 297,223

The notes to financial statements are an integral part of this statement.

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 34,705,435
-	2,593,255
-	336,179
-	699,511
5,237	145,984
-	2,380
2,992	2,984,935
38,019	561,963
548,611	548,611
42,438	227,691
<u>637,297</u>	<u>42,805,944</u>
-	3,392,053
51,849	25,550,546
-	1,100,586
-	9,259,591
588,338	588,338
-	3,232,511
-	1,618,154
-	725,886
<u>640,187</u>	<u>45,467,665</u>
<u>(2,890)</u>	<u>(2,661,721)</u>
-	132,429
-	(132,429)
-	-
(2,890)	(2,661,721)
<u>491,871</u>	<u>8,345,017</u>
<u>\$ 488,981</u>	<u>\$ 5,683,296</u>

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Blind Brook - Rye Union Free School District, New York

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2016

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (2,661,721)</u>
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures	3,128,925
Depreciation expense	<u>(1,138,671)</u>
	<u>1,990,254</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal paid on serial bonds	1,565,000
Principal paid on energy performance contract debt	53,154
Amortization of loss on refunding bonds and issuance premium	<u>211,202</u>
	<u>1,829,356</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	15,393
Compensated absences	21,780
Retirement incentive payable	165,000
Pension assets (obligations)	3,263,991
Other post employment benefit obligations payable	<u>(2,119,409)</u>
	<u>1,346,755</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,504,644</u></u>

The notes to financial statements are an integral part of this statement.

Blind Brook - Rye Union Free School District, New York

Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 General and Special Aid Funds
 Year Ended June 30, 2016

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 34,705,354	\$ 34,705,354	\$ 34,705,435	\$ 81
Other tax items	2,593,255	2,593,255	2,593,255	-
Non-property taxes	335,000	335,000	336,179	1,179
Charges for services	650,000	650,000	699,511	49,511
Use of money and property	105,000	105,000	140,747	35,747
Sale of property and compensation for loss	250	250	2,380	2,130
State aid	2,779,537	2,779,537	2,673,500	(106,037)
Federal aid	-	-	-	-
Miscellaneous	102,500	102,500	185,253	82,753
Total Revenues	41,270,896	41,270,896	41,336,260	65,364
EXPENDITURES				
Current				
General support	3,925,231	3,959,404	3,392,053	567,351
Instruction	25,309,905	25,426,898	24,768,186	658,712
Pupil transportation	1,222,166	1,222,166	1,100,586	121,580
Community services	1,000	1,000	-	1,000
Employee benefits	9,744,886	9,682,671	9,259,591	423,080
Debt service				
Principal	1,618,154	1,618,154	1,618,154	-
Interest	725,886	725,886	725,886	-
Total Expenditures	42,547,228	42,636,179	40,864,456	1,771,723
Deficiency of Revenues Over Expenditures	(1,276,332)	(1,365,283)	471,804	1,837,087
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(133,808)	(133,808)	(132,429)	1,379
Total Other Financing Sources (Uses)	(133,808)	(133,808)	(132,429)	1,379
Net Change in Fund Balances	(1,410,140)	(1,499,091)	339,375	1,838,466
FUND BALANCES				
Beginning of Year	1,410,140	1,499,091	4,557,717	3,058,626
End of Year	\$ -	\$ -	\$ 4,897,092	\$ 4,897,092

The notes to financial statements are an integral part of this statement.

Special Aid Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
147,769	171,516	171,516	-
579,857	656,940	523,944	(132,996)
-	-	-	-
727,626	828,456	695,460	(132,996)
-	-	-	-
762,677	863,507	730,511	132,996
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
762,677	863,507	730,511	132,996
(35,051)	(35,051)	(35,051)	-
35,051	35,051	35,051	-
-	-	-	-
35,051	35,051	35,051	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Blind Brook - Rye Union Free School District, New York

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2016

	Agency Fund
ASSETS	
Cash and equivalents	\$ 211,370
Accounts receivable	<u>1,975</u>
Total Assets	<u><u>\$ 213,345</u></u>
LIABILITIES	
Accounts payable	\$ 4,757
Deposits payable	142,985
Student activity funds	<u>65,603</u>
Total Liabilities	<u><u>\$ 213,345</u></u>

The notes to financial statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

The Blind Brook-Rye Union Free School District, New York ("School District"), as presently constituted, operates in accordance with the provisions of the Education Law of the State of New York. The Board of Education is the legislative body responsible for overall operation of the School District and is elected by the voters of the School District. The Superintendent serves as the chief executive officer. The School District's primary function is to provide education for its pupils. Services such as transportation of pupils, administration, finance and plant maintenance support the primary function.

The accounting policies of the School District conform to generally accepted accounting principles for local governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the School District's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government, which is the School District, b) organizations for which the School District is financially accountable and c) other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the School District's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

The School District participates in the Southern Westchester Board of Cooperative Educational Services ("BOCES"), a jointly governed entity. BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs, which provide educational and support services. BOCES' governing board is elected based on the vote of members of the participating district's governing boards. BOCES' budget is comprised of separate budgets for administrative, program and capital costs. BOCES charges the districts for program costs based on participation and for administrative and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school enrollment as defined in Education Law. Copies of BOCES' financial statement can be requested from Southern Westchester BOCES, 17 Berkley Drive, Rye Brook, New York 10573.

B. District-Wide Financial Statements

The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the School District as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided or used.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Statement of Net Position presents the financial position of the School District at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The School District does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The accounts of the School District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The School District maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the district-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explain the adjustments necessary to transform the fund based financial statements into the governmental activities column of the district-wide presentation. The School District's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following represents the School District's major governmental funds.

General Fund - The General Fund constitutes the primary fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The

Note 1 - Summary of Significant Accounting Policies (Continued)

major special revenue fund of the School District is the Special Aid Fund. The Special Aid Fund is used to account for special projects or programs supported in whole or in part with Federal or State funds. The major revenues of this fund are State and Federal aid.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

The School District also reports the following non-major governmental funds:

Special Revenue Funds:

School Lunch Fund - The School Lunch Fund is used to record the operations of the lunch program of the School District.

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the School District in accordance with the terms of a trust agreement.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest maturing in future years.

Permanent Fund - The Permanent Fund is used to account for assets that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs.

- b. Fiduciary Fund (Not Included in District-Wide Financial Statements) - Fiduciary Funds are used to account for assets held by the School District in an agency capacity on behalf of others. Among the activities included in the Agency Fund are the student activity funds. The Agency Fund is also utilized to account for deposits that are payable to other jurisdictions or individuals.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

Note 1 - Summary of Significant Accounting Policies (Continued)

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, net pension liabilities, retirement incentives and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Deposits and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies and obligations of New York State or its political subdivisions, and accordingly, the School District's policy provides for no credit risk on investments.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2016.

Restricted Cash - Restricted cash in the Capital Projects Fund consists of deposits held by a financial institution. These funds are to be used for the Energy Performance Contract Improvements project.

Investments - The School District participates in the New York Liquid Assets Fund ("NYLAF") established pursuant to the General Municipal Law of the State of New York that meets the definition of a 2a7-like pool. The sponsoring agency of the pool is another governmental unit, which acting through the fiscal officer, is primarily responsible for executing the provisions of the cooperative agreement.

The pool is authorized to invest in various securities issued by the United States and its agencies. The amounts represent the amortized cost of the cooperative shares and are considered to approximate fair value. The School District's position in the pool is equal to the value of the pool shares. Additional information concerning the NYLAF is presented in the annual report, which may be obtained from the Governing Board c/o PMA Financial Network, 2135 City Gate Lane, 7th floor, Naperville, IL 60563.

NYLAF is rated AAAM by Standard and Poor's Rating Service. Local government investment cooperatives in this rating category meet the highest standards for credit quality, conservative investment policies and safety of principal. The pools invest in a high quality portfolio of investments legally permissible for municipalities and school districts in the State.

The School District was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

Property Taxes Receivable - Real property taxes attach as an enforceable lien on real property as of July 1st and are levied and payable in September and January. The town which is included in the levy is responsible for the billing and collection of the taxes. The town guarantees the full payment of the School District warrant and assumes responsibility for uncollected taxes.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the School District. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the School District has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories - Inventories in the School Lunch Fund consist of food and supplies and are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at a stated value which approximates market. These inventories consist primarily of items held for consumption. The cost is

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

recorded as inventory at the time individual inventory items are purchased. The School District uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the district-wide and fund financial statements. Prepaid expenses/expenditures consist of health insurance costs which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent year's budget and will benefit such periods. Reported amounts are equally offset by nonspendable fund balance in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets - Capital assets, which include property, plant and equipment are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant and equipment of the School District are depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Buildings and Improvements	20-50
Machinery and Equipment	5-15

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the district-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has reported unearned revenues of \$2,413 in the Special Aid Fund for State and Federal aid received in advance and \$39,537 for meals purchased in advance in the School Lunch Fund. Such amounts

Note 1 - Summary of Significant Accounting Policies (Continued)

have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 that time.

The School District reported deferred outflows of resources of \$145,360 for a deferred loss on refunding bonds in the district-wide Statement of Net Position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The School District also reports deferred outflows of resources and deferred inflows of resources in relation to its pension obligations. These amounts are detailed in the discussion of the School District's pension plans in Note 3,D.

Long-Term Liabilities - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation from service. The liability for such accumulated leave is reflected in the district-wide Statement of Net Position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Pension Liability (Asset) - The net pension liability (asset) represents the School District's proportionate share of the net pension liability (asset) of the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Position - Net position represent the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position include, net investment in capital assets, restricted for capital projects, debt service, tax certiorari, retirement contributions, school lunch, special purposes and Permanent Fund. The balance is classified as unrestricted.

Fund Balance - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Non-spendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in the General Municipal Law or the Education Law of the State of New York.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The Board of Education is the highest level of decision making authority for the School District that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the School District removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board of Education.

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Education for amounts assigned for balancing the subsequent year's budget or the Assistant Superintendent of Finance and Facilities for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.

Note 1 - Summary of Significant Accounting Policies (Continued)

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order: committed, assigned, and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General and Special Aid funds. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 17, 2016.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The School District generally follows the procedures enumerated below in establishing the budgetary data reflected in the fund financial statements:

- a) At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- b) At the budget hearing, the voters may raise questions concerning the items contained in the budget.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- c) The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- d) The voters are permitted to vote upon the General Fund budget at the annual meeting.
- e) If the original proposed budget is not approved by the voters, the Board of Education has the option of either resubmitting the original or revising the budget for voter approval at a special meeting held at a later date; or the Board of Education may, at that point, adopt a contingency budget. If the Board of Education decides to submit either the original or a revised budget to the voters for a second time, and the voters do not approve the second budget submittal, the Board of Education must adopt a contingency budget and the tax levy cannot exceed the total tax levy of the prior year (0% levy growth). In addition, the administrative component of the contingency budget shall not comprise a greater percentage of the contingency budget exclusive of the capital component than the lesser of either 1) the percentage the administrative component had comprised in the prior year budget exclusive of the capital component; or 2) the percentage the administrative component had comprised in the last proposed defeated budget exclusive of the capital component.
- f) Formal budgetary integration is employed during the year as a management control device for General and Special Aid funds.
- g) Budgets for General and Special Aid funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the School Lunch, Special Purpose, Debt Service or Permanent funds.
- h) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in General and Special Aid funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board of Education.

B. Limitation on Fund Balance

The School District is limited to the amount of committed, assigned and unassigned fund balance, with certain exceptions, that can be retained. New York State law limits this amount of fund balance to 4% of the ensuing year's budget.

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 2 - Stewardship, Compliance and Accountability (Continued)**C. Property Tax Limitation**

On June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This law applies to all local governments, including school districts.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a school district in a particular year. The original legislation that established the Tax Levy Limitation law was set to expire on June 16, 2016. Chapter 20 of the Laws of 2015 extends the Tax Levy Limitation law through June 2020.

Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of two percent or the annual increase in the consumer price index. Certain adjustments would be permitted as defined by Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation only if the budget is approved by at least 60% of the vote. There are certain exemptions to the tax levy limitation, such as expenditures made on account of certain tort settlements and certain increases in the actuarial contribution rates of the various public employee retirement systems.

Note 3 - Detailed Notes on All Funds**A. Due From/To Other Funds**

The composition of interfund balances at June 30, 2016 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 546,643	\$ -
Special Aid	-	509,918
Capital Projects	-	61,847
Non-Major Governmental	25,122	-
	<u>\$ 571,765</u>	<u>\$ 571,765</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

B. Capital Assets

Changes in the School District's capital assets are as follows:

<u>Class</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital Assets, not being depreciated:				
Land	\$ 985,788	\$ -	\$ -	\$ 985,788
Construction in progress	<u>48,465</u>	<u>51,175</u>	<u>14,838</u>	<u>84,802</u>
Total Capital Assets, not being depreciated	<u>\$ 1,034,253</u>	<u>\$ 51,175</u>	<u>\$ 14,838</u>	<u>\$ 1,070,590</u>

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets, being depreciated:				
Buildings and Improvements	\$ 50,535,776	\$ 3,044,411	\$ -	\$ 53,580,187
Machinery and Equipment	1,906,335	48,177	-	1,954,512
Total Capital Assets, being depreciated	52,442,111	3,092,588	-	55,534,699
Less Accumulated Depreciation for:				
Buildings and Improvements	18,783,127	1,066,184	-	19,849,311
Machinery and Equipment	1,663,826	72,487	-	1,736,313
Total Accumulated Depreciation	20,446,953	1,138,671	-	21,585,624
Total Capital Assets, being depreciated, net	\$ 31,995,158	\$ 1,953,917	\$ -	\$ 33,949,075
Capital Assets, net	\$ 33,029,411	\$ 2,005,092	\$ 14,838	\$ 35,019,665

Depreciation expense was charged to School District functions and programs as follows:

General support	\$ 18,589
Instruction	1,061,175
Cost of food sales	6,613
Pupil transportation	52,294
Total Depreciation Expense	\$ 1,138,671

C. Accrued Liabilities

Accrued liabilities at June 30, 2016 were as follows:

	General Fund
Payroll and Employee Benefits	\$ 143,525

D. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2016:

	Balance, July 1, 2015	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2016	Due Within One-Year
Bonds Payable -					
Capital Construction	\$ 15,020,000	\$ -	\$ 1,565,000	\$ 13,455,000	\$ 1,605,000
Plus - Unamortized Premium on Bonds	2,134,804	-	235,292	1,899,512	-
	17,154,804	-	1,800,292	15,354,512	1,605,000

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

	Balance, July 1, 2015	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2016	Due Within One-Year
Energy Performance					
Contract Payable	\$ 3,070,767	\$ -	\$ 53,154	\$ 3,017,613	\$ 177,999
Other Non-current Liabilities:					
Compensated Absences	344,429	12,220	34,000	322,649	32,000
Net Pension Liability	389,326	1,333,269	-	1,722,595	-
Retirement Incentive Payable	660,000	-	165,000	495,000	55,000
Other Post Employment Benefit Obligations	14,218,842	3,267,032	1,147,623	16,338,251	-
Total Other Non- Current Liabilities	15,612,597	4,612,521	1,346,623	18,878,495	87,000
Total Long-Term Liabilities	\$ 35,838,168	\$ 4,612,521	\$ 3,200,069	\$ 37,250,620	\$ 1,869,999

Each governmental fund's liability for bonds payable, energy performance contract payable, compensated absences, net pension liability, retirement incentive payable and other post employment benefit obligations is liquidated by the General Fund.

Bonds Payable

Bonds payable at June 30, 2016 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2016
Refunding Bonds	2011	\$ 8,405,000	February, 2021	4.00-5.00%	\$ 4,110,000
Refunding Bonds	2014	10,085,000	November, 2025	3.00-5.00%	9,345,000
					<u>\$ 13,455,000</u>

Interest expenditures of \$656,400 were recorded in the fund financial statements in the General Fund. Interest expense of \$430,356 was recorded in the district-wide financial statements.

Energy Performance Contract Debt Payable

The School District, in January 2015, entered into a \$3,070,767 contractual agreement to install energy savings equipment and/or to upgrade existing facilities to enhance performance. The terms of the contract provide for repayment over fifteen years, with semi-annual installments of \$122,641, including interest, through July 2030. Payments include interest at 2.26%. The contract further provides that the savings in energy costs resulting from this modernization will equal or exceed the lease payment terms. The balance due at June 30, 2016 was \$3,017,613.

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

Interest expenditures of \$69,486 were recorded in the fund financial statements in the General Fund. Interest expense of \$68,935 was recorded in the district-wide financial statements.

Payments to Maturity

The annual requirements to amortize all bonded and energy performance contract debt outstanding as of June 30, 2016 including interest payments of \$3,567,367 are as follows:

Year Ending June 30,	Bonds		Energy Performance Contract		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,605,000	\$ 604,525	\$ 177,999	\$ 67,282	\$ 1,782,999	\$ 671,807
2018	1,620,000	543,650	182,050	63,232	1,802,050	606,882
2019	1,640,000	478,150	186,193	59,089	1,826,193	537,239
2020	1,675,000	403,700	190,430	54,852	1,865,430	458,552
2021	1,710,000	323,250	194,763	50,518	1,904,763	373,768
2022-2026	5,205,000	675,125	1,042,349	184,058	6,247,349	859,183
2027-2031	-	-	1,043,829	59,936	1,043,829	59,936
	<u>\$ 13,455,000</u>	<u>\$ 3,028,400</u>	<u>\$ 3,017,613</u>	<u>\$ 538,967</u>	<u>\$ 16,472,613</u>	<u>\$ 3,567,367</u>

The above general obligation bonds and energy performance contract debt are direct obligations of the School District for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the School District.

Compensated Absences

Under the terms of existing collective bargaining agreements, the School District is required to compensate its employees for accumulated vacation and sick time which does not exceed limits stated in the respective agreements. The value of the compensated absences has been reflected in the district-wide financial statements.

Pension Plans

Employees' Retirement System

The School District participates in the New York State and Local Employees' Retirement System ("ERS"). This is a cost-sharing, multiple-employer defined benefit pension plan. ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the ERS, 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 School District also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

may be found at www.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The ERS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% 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 ERS's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2016 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
1 75I	25.0 %
4 A15	18.7
5 A15	15.4
6 A15	10.5

At June 30, 2016, the School District reported a liability of \$1,722,595 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. At March 31, 2016, the School District's proportion was .0107325%, which was a decrease of .000792% from its proportion measured as of March 31, 2015.

For the year ended June 30, 2016, the School District recognized pension expense in the district-wide financial statements of \$636,459. Pension expenditures of \$543,454 were recorded in the fund financial statements and were charged to the General Fund. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,705	\$ 204,185
Changes of assumptions	459,364	-
Net difference between projected and actual earnings on pension plan investments	1,021,938	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	97,772	17,002
School District contributions subsequent to the measurement date	<u>146,966</u>	<u>-</u>
	<u>\$ 1,734,745</u>	<u>\$ 221,187</u>

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

\$146,966 reported as deferred outflows of resources related to ERS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

<u>Year Ended March 31,</u>	
2017	\$ 347,185
2018	347,185
2019	347,185
2020	325,037
Thereafter	-

The total pension liability for the March 31, 2016 measurement date 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, 2015. Significant actuarial assumptions used in the April 1, 2015 valuation were as follows:

Actuarial cost method	Entry age normal
Inflation	2.5%
Salary scale	3.8%, indexed by service
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation
Cost of living adjustments	1.3% annually

Annuitant mortality rates are based on the April 1, 2010 - March 31, 2015 ERS's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

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

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

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38 %	7.30 %
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return Strategies	3	6.75
Opportunistic Portfolio	3	8.60
Real Assets	3	8.65
Bonds and Mortgages	18	4.00
Cash	2	2.25
Inflation Indexed Bonds	2	4.00
	<u>100 %</u>	

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 determined. Based upon those assumptions, the ERS'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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 3,884,326</u>	<u>\$ 1,722,595</u>	<u>\$ (103,976)</u>

The components of the collective net pension liability of ERS as of the March 31, 2016 measurement date were as follows:

Total pension liability	\$ 172,303,544,000
ERS fiduciary net position	<u>156,253,265,000</u>
Employers' net pension liability	<u>\$ 16,050,279,000</u>
ERS fiduciary net position as a percentage of total pension liability	<u>90.7%</u>

Note 3 - Detailed Notes on All Funds (Continued)

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Accrued retirement contributions to ERS as of June 30, 2016 were \$146,966.

Teachers' Retirement System

The School District participates in the New York State Teachers' Retirement System ("TRS"). This is a cost-sharing, multiple-employer defined benefit pension plan. TRS provides retirement benefits as well as death and disability benefits. The TRS is governed by a ten member Board of Trustees, which sets policy and oversees operations consistent with its fiduciary obligations under applicable law. Obligations of employers and employees to contribute and benefits to employees are governed by the Education Law of the State of New York. Once a public employer elects to participate in the TRS, 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 TRS issues a stand-alone financial report which may be found at www.nystsr.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

The TRS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% depending on salary levels for their entire length of service. Pursuant to Article 11 of the Education Law of the State of New York, actuarially determined employer contributions are established annually for the TRS by its Board of Trustees. The employer contribution rate for the plan's year ending in 2016 was 13.26%.

At June 30, 2016, the School District reported an asset of \$12,701,354 for its proportionate share of the 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 an actuarial valuation as of that date. The School District's proportion of the net pension asset was based on the School District's contributions to the pension plan relative to the contributions of all participating members. At June 30, 2015, the School District's proportion was .122283%, which was a decrease of .002514% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense in the district-wide financial statements of (\$836,298). Pension expenditures of \$2,520,698 were recorded in the fund financial statements and were charged to the General Fund. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 352,009
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,014,961
Changes in proportion and differences between School District contributions and proportionate share of contributions	78,518	4,453
School District contributions subsequent to the measurement date	<u>2,586,952</u>	<u>-</u>
	<u><u>\$ 2,665,470</u></u>	<u><u>\$ 4,371,423</u></u>

\$2,586,952 reported as deferred outflows of resources related to TRS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TRS will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ (1,610,866)
2017	(1,610,866)
2018	(1,610,866)
2019	676,233
2020	(35,350)
Thereafter	(101,190)

The total pension liability for the June 30, 2015 measurement date was determined by using an actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension liability to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by using 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	3.0%
Projected salary increases	Rates of increase differ based on age and gender. They have been calculated based upon recent TRS member experience.

<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

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

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 and 2013 valuations 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. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of the valuation dates of June 30, 2014 and 2013 are summarized in the following table:

	Target Allocation		Long-Term Expected Real Rate of Return*	
	2014	2013	2014	2013
Asset Class:				
Equities:				
Domestic equities	37 %	37 %	6.5 %	7.3 %
International equities	18	18	7.7	8.5
Real estate	10	10	4.6	5.0
Alternative investments	7	7	9.9	11.0
Total Equities	72	72		
Fixed Income:				
Domestic fixed income securities	17	18	2.1	1.5
Global fixed income securities	2	2	1.9	1.4
Mortgages	8	8	3.4	3.4
Short-term	1	-	1.2	0.8
Total Fixed Income	28	28		
Total	100 %	100 %		

* Real rates of return are net of the long-term inflation assumption of 2.3% for 2014 and 2013.

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, TRS'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

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the School District's proportionate share of the net pension asset calculated using the discount rate of 8.0%, as well as what the School District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage point lower (7.0%) or one percentage point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
School District's proportionate share of the net pension liability (asset)	<u>\$ 866,396</u>	<u>\$ (12,701,354)</u>	<u>\$ (24,271,795)</u>

The components of the collective net pension asset of TRS as of the June 30, 2015 measurement date were as follows:

Total pension liability	\$ 99,332,103,743
TRS fiduciary net position	<u>109,718,916,659</u>
Employers' net pension asset	<u>\$ 10,386,812,916</u>
TRS fiduciary net position as a percentage of total pension liability	<u>110.46%</u>

Employer and employee contributions for the year ended June 30, 2016 are paid to TRS in the following fiscal year through a state aid intercept or, if state aid is insufficient, through a payment by the School District to TRS. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employers' contribution rate plus employee contributions for the fiscal year as reported to TRS. Accrued retirement contributions to TRS as of June 30, 2016 were \$2,742,167.

Voluntary Defined Contribution Plan

The School District also offers a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the School District will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in this program.

Retirement Incentive Payable

In the prior year, the School District entered into a retirement incentive agreement with an employee. The School District agreed to provide for forty quarterly payments of \$13,750 commencing in July, 2015. The balance due at June 30, 2016 is \$495,000.

Note 3 - Detailed Notes on All Funds (Continued)**Other Post Employment Benefit Obligations**

In addition to providing pension benefits, the School District provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the School District may vary according to length of service. The cost of providing post employment health care benefits is shared between the School District and the retired employee. Substantially all of the School District's employees may become eligible for those benefits if they reach normal retirement age while working for the School District. The cost of retiree health care benefits is recognized as an expenditure/expense as claims are paid.

The School District's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB established standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The School District is required to accrue on the district-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed increase in postretirement benefits is as follows:

<u>Year Ended June 30,</u>	<u>Health Care Cost Trend Rate</u>
2017	5.30 %
2018	5.40
2019	5.50
2020	5.46
2021	5.43
2022+	3.84-5.43

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

The amortization basis is the level dollar method with a closed amortization approach with 22 years remaining in the amortization period. The actuarial assumptions include a 5.0% investment rate of return, a 3.0% inflation rate and a 4.0% annual payroll growth rate. The School District currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the projected unit credit cost method.

The number of participants as of June 30, 2016 was as follows:

Active Employees	223
Retired Employees	<u>98</u>
	<u>321</u>
Amortization Component	
Actuarial Accrued Liability as of July 1, 2015	\$ 36,803,640
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 36,803,640</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (Active plan members)	<u>\$ 24,130,901</u>
UAAL as a Percentage of Covered Payroll	<u>152.52%</u>
Annual Required Contribution	\$ 3,088,651
Interest on Net OPEB Obligation	710,942
Adjustment to Annual Required Contribution	<u>(532,561)</u>
Annual OPEB Cost	3,267,032
Contributions Made	<u>(1,147,623)</u>
Increase in Net OPEB Obligation	2,119,409
Net OPEB Obligation - Beginning of Year	<u>14,218,842</u>
Net OPEB Obligation - End of Year	<u>\$ 16,338,251</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 3,267,032	35.13 %	\$ 16,338,251
2015	3,095,322	37.99	14,218,842
2014	3,431,473	32.90	12,299,481

Note 3 - Detailed Notes on All Funds (Continued)

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

E. Revenues and Expenditures

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without equivalent flows of assets in return. The interfund transfers reflected below have been reported as transfers.

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Total</u>
	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	
General Fund	<u>\$ 35,051</u>	<u>\$ 97,378</u>	<u>\$ 132,429</u>

Transfers are used to move amounts earmarked in the operating funds to fulfill commitments for Special Aid and Capital Projects funds expenditures.

F. Net Position

The components of net position are detailed below:

Net investment in capital assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Capital Projects - the component of net position that reports the amounts restricted for capital projects, exclusive of unexpended bond proceeds.

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities of the Debt Service Fund with constraints placed on their use by Local Finance Law.

Restricted for Tax Certiorari - the component of net position that has been established in accordance with the Education Law of the State of New York to provide funding for court ordered tax refunds which are currently in process.

Restricted for Retirement Contributions - the component of net position that reports the amounts set aside to be used for retirement costs in accordance with Section 6-r of the General Municipal Law of the State of New York.

Restricted for School Lunch - the component of net position that reports the difference between assets and liabilities in the School Lunch Fund.

Note 3 - Detailed Notes on All Funds (Continued)

Restricted for Special Purposes - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by either external parties and/or statute.

Restricted for Permanent Fund - the component of net position that reports the difference between assets and liabilities of the non-expendable trust with constraints placed on their use by external parties.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

G. Fund Balances

	2016				2015			
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Nonspendable:								
Inventories	\$ -	\$ -	\$ 2,939	\$ 2,939	\$ -	\$ -	\$ 2,765	\$ 2,765
Prepaid expenditures	334,441	-	-	334,441	342,380	-	-	342,380
Permanent Fund	-	-	2,920	2,920	-	-	2,920	2,920
Total Nonspendable	334,441	-	5,859	340,300	342,380	-	5,685	348,065
Restricted:								
Tax certiorari	493,372	-	-	493,372	491,827	-	-	491,827
Employee benefit accrued liability	322,649	-	-	322,649	319,952	-	-	319,952
Retirement contributions	375,535	-	-	375,535	287,982	-	-	287,982
Debt service	-	-	328,862	328,862	-	-	324,062	324,062
Capital projects	-	297,223	-	297,223	-	3,295,429	-	3,295,429
Special purposes	-	-	67,926	67,926	-	-	81,056	81,056
Permanent fund	-	-	78	78	-	-	127	127
Total Restricted	1,191,556	297,223	396,866	1,885,645	1,099,761	3,295,429	405,245	4,800,435
Assigned:								
Purchases on order:								
General government support	76,008	-	-	76,008	40,393	-	-	40,393
Instruction	16,019	-	-	16,019	4,747	-	-	4,747
	92,027	-	-	92,027	45,140	-	-	45,140
For subsequent year's expenditures -								
General Fund	1,550,000	-	-	1,550,000	1,365,000	-	-	1,365,000
School Lunch Fund	-	-	86,256	86,256	-	-	80,941	80,941
Total Assigned	1,642,027	-	86,256	1,728,283	1,410,140	-	80,941	1,491,081
Unassigned	1,729,068	-	-	1,729,068	1,705,436	-	-	1,705,436
Total Fund Balances	\$ 4,897,092	\$ 297,223	\$ 488,981	\$ 5,683,296	\$ 4,557,717	\$ 3,295,429	\$ 491,871	\$ 8,345,017

Blind Brook-Rye Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. Those additional elements, which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet are described below.

Inventories in the School Lunch Fund have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditure because the asset is in the form of commodities and the School District anticipates utilizing them in the normal course of operations.

Prepaid Expenditures represents health insurance payments made in advance. The amount is classified as nonspendable to indicate that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

The corpus of the Permanent Fund has been classified as nonspendable to indicate the portion of the trust with constraints placed on its use by external parties.

Employee Benefit Accrued Liability - the component of fund balance that has been restricted pursuant to Section 6-p of the General Municipal Law of the State of New York to provide funds for the payment of unused sick time and other forms of payment for accrued leave time granted upon termination or separation from service.

Purchases on order are assigned and represent the School District's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Subsequent year's expenditures represent that at June 30, 2016, the Board of Education has assigned the above amounts to be appropriated for the ensuing year's budget.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or assigned.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

There are currently pending certiorari proceedings, the results of which may require the payment of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time as negotiations are ongoing. Any payments resulting from adverse decisions will be funded in the year the payment is made.

The School District is a defendant in actions in which, on occasion, parents seek reimbursement for tuition paid by them to private schools where they have unilaterally placed (enrolled) their children. If the parents' were successful in the claim, they could receive reimbursement for both tuition and attorney's fees. The School District rigorously contests any liability for these claims, as it feels: a) it had provided an appropriate placement for the children at issue; and b) the parents' unilateral placement are not consistent with the Individuals with Educational Disabilities Act. As mentioned above, the School District is contesting that any and all cases should be dismissed. However, it is not possible to express an opinion on the outcome of these matters.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

B. Contingencies

The School District participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Uniform Guidance. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

The School District is subject to audits of State aid by the New York State Education Department. The amount of aid previously paid to the School District which may be disallowed cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

C. Risk Management

The School District and other school districts have formed a reciprocal insurance company to be owned by these districts. This Company operates under an agreement effective July 1, 1989. The purpose of the Company is to provide general liability, auto liability, all risk building and contents and auto physical damage coverage. In addition, as part of the reciprocal program, excess insurance, school board legal liability, equipment floaters, boilers and machinery and crime and bond coverages will be purchased from commercial carriers and be available to the subscriber districts. The Company retains a management company which is responsible for the overall supervision and management of the reciprocal. The reciprocal is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts. The subscribers have elected those who sit on the board and each subscriber has a single vote. The Company is an "assessable" insurance company, in that, the subscribers are severally liable for any financial shortfall of the Company and can be assessed their proportionate share by the State Insurance Department if the funds of the Company are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimal capital contribution.

The School District purchases various insurance coverages to reduce its exposure to loss. The School District maintains a general liability insurance policy with coverage up to \$1 million, an umbrella liability policy with coverage of \$15 million and liability coverage for school board members up to \$1 million.

The School District and neighboring school districts in Southern Westchester County, participate in the Southern Westchester Schools Cooperative Self-Insurance Plan for Workers' Compensation. The purpose of the Plan is to provide efficient and economical evaluation, processing, administration, defense and payment of claims against plan members for workers' compensation and to provide for risk management to reduce future liability for workers' compensation and employers' liability payments. The Plan is managed and governed by a Board of Trustees comprised of a representative from each district. Billings are based upon participants' experience rating and payroll reported for the prior year. The School District has transferred all related risk to the Plan.

Health benefits are provided to employees through the New York State Health Insurance Program. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Blind Brook - Rye Union Free School District, New York

Required Supplementary Information - Schedule of Funding Progress

Other Post Employment Benefits

Last Three Fiscal Years

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2015	\$ -	\$ 36,803,640	\$ 36,803,640	- %	\$ 24,130,901	152.52 %
July 1, 2014	-	34,550,546	34,550,546	-	20,097,758	171.91
July 1, 2013	-	37,273,627	37,273,627	-	23,184,119	160.77

Blind Brook - Rye Union Free School District, New York

Required Supplementary Information - Schedule of the
 School District's Proportionate Share of the Net Pension Liability
 New York State Teachers' Retirement System
 Last Ten Fiscal Years (1)

	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability (asset)	<u>0.122283%</u>	<u>0.124797%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ (12,701,354)</u>	<u>\$ (13,901,646)</u>
School District's covered-employee payroll	<u>\$ 18,719,625</u>	<u>\$ 18,434,511</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>(67.85%)</u>	<u>(75.41%)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>110.46%</u>	<u>111.48%</u>

Note - The amounts presented for each fiscal year were determined as of the June 30 measurement date of the prior fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Blind Brook - Rye Union Free School District, New York**Required Supplementary Information - Schedule of Contributions
New York State Teachers' Retirement System
Last Ten Fiscal Years (1)**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,586,952	\$ 3,281,550
Contributions in relation to the contractually required contribution	<u>(2,586,952)</u>	<u>(3,281,550)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	<u>\$ 19,509,451</u>	<u>\$ 18,719,625</u>
Contributions as a percentage of covered-employee payroll	<u>13.26%</u>	<u>17.53%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Blind Brook - Rye Union Free School District, New York

Required Supplementary Information - Schedule of the School District's Proportionate Share of the Net Pension Liability New York State and Local Employees' Retirement System Last Ten Fiscal Years (1)

	2016 (2)	2015
School District's proportion of the net pension liability (asset)	<u>0.0107325%</u>	<u>0.0115245%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 1,722,595</u>	<u>\$ 389,326</u>
School District's covered-employee payroll	<u>\$ 3,294,661</u>	<u>\$ 3,683,951</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>52.28%</u>	<u>10.57%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>90.70%</u>	<u>97.90%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

Blind Brook - Rye Union Free School District, New York

Required Supplementary Information - Schedule of Contributions
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 575,684	\$ 581,395
Contributions in relation to the contractually required contribution	<u>(575,684)</u>	<u>(581,395)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	<u>\$ 3,664,924</u>	<u>\$ 3,683,951</u>
Contributions as a percentage of covered-employee payroll	<u>15.71%</u>	<u>15.78%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards
Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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Blind Brook - Rye Union Free School District, New York

General Fund
Comparative Balance Sheet
June 30,

	2016	2015
ASSETS		
Cash and equivalents	\$ 3,116,300	\$ 7,636,544
Investments	3,909,673	-
Receivables		
Accounts	28,682	-
State and Federal aid	210,311	202,714
Due from other governments	84,010	83,567
Due from other funds	546,643	291,110
	869,646	577,391
Prepaid expenditures	334,441	342,380
Total Assets	<u>\$ 8,230,060</u>	<u>\$ 8,556,315</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 223,985	\$ 294,880
Accrued liabilities	143,525	64,723
Due to other funds	-	20,054
Due to other governments	76,325	7,448
Due to retirement systems	2,889,133	3,611,493
Total Liabilities	3,332,968	3,998,598
Fund balance		
Nonspendable	334,441	342,380
Restricted	1,191,556	1,099,761
Assigned	1,642,027	1,410,140
Unassigned	1,729,068	1,705,436
Total Fund Balance	4,897,092	4,557,717
Total Liabilities and Fund Balance	<u>\$ 8,230,060</u>	<u>\$ 8,556,315</u>

Blind Brook - Rye Union Free School District, New York

General Fund

Comparative Schedule of Revenues, Expenditures and

Changes in Fund Balance - Budget and Actual

Years Ended June 30,

	2016				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
REVENUES					
Real property taxes	\$ 34,705,354	\$ 34,705,354	\$ 34,705,435	\$	\$ 81
Other tax items	2,593,255	2,593,255	2,593,255		-
Non-property taxes	335,000	335,000	336,179		1,179
Charges for services	650,000	650,000	699,511		49,511
Use of money and property	105,000	105,000	140,747		35,747
Sale of property and compensation for loss	250	250	2,380		2,130
State aid	2,779,537	2,779,537	2,673,500		(106,037)
Miscellaneous	102,500	102,500	185,253		82,753
Total Revenues	41,270,896	41,270,896	41,336,260		65,364
EXPENDITURES					
Current					
General support					
Board of education	51,350	51,350	41,395	-	9,955
Central administration	499,850	531,404	524,556	1,500	5,348
Finance	405,239	405,221	385,219	1	20,001
Staff	227,064	229,064	193,368	-	35,696
Central services	2,313,048	2,311,994	1,817,144	74,507	420,343
Special items	428,680	430,371	430,371	-	-
Total General Support	3,925,231	3,959,404	3,392,053	76,008	491,343
Instruction					
Instruction, administration and improvement	2,160,165	2,163,064	2,078,406	1,026	83,632
Teaching - Regular school	14,348,716	14,359,070	14,113,600	4,017	241,453
Programs for children with handicapping conditions	5,363,156	5,375,589	5,168,052	1,755	205,782
Instructional media	1,129,551	1,168,213	1,158,614	-	9,599
Pupil services	2,308,317	2,360,962	2,249,514	9,221	102,227
Total Instruction	25,309,905	25,426,898	24,768,186	16,019	642,693
Pupil transportation	1,222,166	1,222,166	1,100,586	-	121,580
Community services	1,000	1,000	-	-	1,000
Employee benefits	9,744,886	9,682,671	9,259,591	-	423,080
Debt service					
Principal	1,618,154	1,618,154	1,618,154	-	-
Interest	725,886	725,886	725,886	-	-
Total Expenditures	42,547,228	42,636,179	40,864,456	92,027	1,679,696
Excess (Deficiency) of Revenues Over Expenditures	(1,276,332)	(1,365,283)	471,804	(92,027)	1,745,060
OTHER FINANCING USES					
Transfers out	(133,808)	(133,808)	(132,429)	-	1,379
Net Change in Fund Balance	(1,410,140)	(1,499,091)	339,375	\$ (92,027)	\$ 1,746,439
FUND BALANCE					
Beginning of Year	1,410,140	1,499,091	4,557,717		
End of Year	\$ -	\$ -	\$ 4,897,092		

2015				
Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
\$ 33,417,500	\$ 33,417,500	\$ 33,417,566	\$	\$ 66
3,327,839	3,327,839	3,332,316		4,477
315,000	315,000	330,291		15,291
569,470	569,470	659,334		89,864
241,938	241,938	234,745		(7,193)
5,500	5,500	4,984		(516)
2,588,046	2,588,046	2,615,983		27,937
102,500	102,500	291,095		188,595
<u>40,567,793</u>	<u>40,567,793</u>	<u>40,886,314</u>		<u>318,521</u>
43,850	43,850	39,291	-	4,559
400,124	433,830	422,745	-	11,085
618,601	636,927	618,804	-	18,123
206,578	206,578	140,937	-	65,641
2,269,309	2,264,566	2,013,027	40,393	211,146
360,660	366,029	365,478	-	551
<u>3,899,122</u>	<u>3,951,780</u>	<u>3,600,282</u>	<u>40,393</u>	<u>311,105</u>
2,133,282	2,144,583	1,996,804	-	147,779
13,944,737	13,939,524	13,560,549	3,744	375,231
4,779,170	5,169,842	5,017,416	352	152,074
1,085,318	1,095,225	1,088,102	651	6,472
2,312,248	2,312,247	2,204,632	-	107,615
<u>24,254,755</u>	<u>24,661,421</u>	<u>23,867,503</u>	<u>4,747</u>	<u>789,171</u>
1,344,117	1,244,119	1,192,807	-	51,312
1,000	1,000	-	-	1,000
10,321,565	10,018,207	9,738,950	-	279,257
1,645,000	1,645,000	1,645,000	-	-
781,157	781,157	733,004	-	48,153
<u>42,246,716</u>	<u>42,302,684</u>	<u>40,777,546</u>	<u>45,140</u>	<u>1,479,998</u>
(1,678,923)	(1,734,891)	108,768	(45,140)	1,798,519
<u>(34,337)</u>	<u>(34,337)</u>	<u>(32,288)</u>	<u>-</u>	<u>2,049</u>
(1,713,260)	(1,769,228)	76,480	<u>\$ (45,140)</u>	<u>\$ 1,800,568</u>
<u>1,713,260</u>	<u>1,769,228</u>	<u>4,481,237</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,557,717</u>		

Blind Brook - Rye Union Free School District, New York

General Fund

Schedule of Revenues Compared to Budget

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	<u>\$ 34,705,354</u>	<u>\$ 34,705,354</u>	<u>\$ 34,705,435</u>	<u>\$ 81</u>
OTHER TAX ITEMS				
School tax relief reimbursement	<u>2,593,255</u>	<u>2,593,255</u>	<u>2,593,255</u>	<u>-</u>
NON-PROPERTY TAXES				
Non-property tax distribution from County	<u>335,000</u>	<u>335,000</u>	<u>336,179</u>	<u>1,179</u>
CHARGES FOR SERVICES				
Day school tuition	325,000	325,000	339,367	14,367
Other services for other districts and other governments	300,000	300,000	335,016	35,016
Transportation for other districts	<u>25,000</u>	<u>25,000</u>	<u>25,128</u>	<u>128</u>
	<u>650,000</u>	<u>650,000</u>	<u>699,511</u>	<u>49,511</u>
USE OF MONEY AND PROPERTY				
Earnings on investments	30,000	30,000	32,825	2,825
Rental of real property	<u>75,000</u>	<u>75,000</u>	<u>107,922</u>	<u>32,922</u>
	<u>105,000</u>	<u>105,000</u>	<u>140,747</u>	<u>35,747</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Insurance recoveries	-	-	2,102	2,102
Other	<u>250</u>	<u>250</u>	<u>278</u>	<u>28</u>
	<u>250</u>	<u>250</u>	<u>2,380</u>	<u>2,130</u>

STATE AID

Basic formula	2,491,300	2,390,490	2,209,393	(181,097)
Lottery	-	100,810	176,425	75,615
BOCES	165,522	165,522	164,305	(1,217)
Textbooks	122,715	90,849	91,511	662
Computer software	-	22,485	22,485	-
Library materials	-	9,381	9,381	-
	<u>2,779,537</u>	<u>2,779,537</u>	<u>2,673,500</u>	<u>(106,037)</u>

MISCELLANEOUS

Refund of prior year's expenditures	42,000	42,000	139,120	97,120
Other	<u>60,500</u>	<u>60,500</u>	<u>46,133</u>	<u>(14,367)</u>
	<u>102,500</u>	<u>102,500</u>	<u>185,253</u>	<u>82,753</u>
TOTAL REVENUES	<u><u>\$ 41,270,896</u></u>	<u><u>\$ 41,270,896</u></u>	<u><u>\$ 41,336,260</u></u>	<u><u>\$ 65,364</u></u>

Blind Brook - Rye Union Free School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 20,800	\$ 20,800	\$ 18,007	\$ -	\$ 2,793
District clerk	15,300	15,300	15,173	-	127
District meeting	15,250	15,250	8,215	-	7,035
Total Board of Education	51,350	51,350	41,395	-	9,955
CENTRAL ADMINISTRATION					
Chief school administrator	499,850	531,404	524,556	1,500	5,348
FINANCE					
Business administration	249,689	248,921	233,725	1	15,195
Auditing	45,550	46,300	46,300	-	-
Treasurer	106,000	106,000	101,244	-	4,756
Purchasing	4,000	4,000	3,950	-	50
Total Finance	405,239	405,221	385,219	1	20,001
STAFF					
Legal	120,000	147,000	147,000	-	-
Personnel	59,500	34,500	4,253	-	30,247
Public information and services	47,564	47,564	42,115	-	5,449
Total Staff	227,064	229,064	193,368	-	35,696

CENTRAL SERVICES

Operation and maintenance of plant	2,293,048	2,292,363	1,797,748	74,507	420,108
Central printing and mailing	20,000	19,631	19,396	-	235
Total Central Services	2,313,048	2,311,994	1,817,144	74,507	420,343

SPECIAL ITEMS

Unallocated insurance	181,710	183,387	183,387	-	-
Assessments on school property	30,358	30,372	30,372	-	-
Administrative charge - BOCES	161,612	161,612	161,612	-	-
Other	55,000	55,000	55,000	-	-
Total Special Items	428,680	430,371	430,371	-	-
Total General Support	3,925,231	3,959,404	3,392,053	76,008	491,343

INSTRUCTION**INSTRUCTION, ADMINISTRATION
AND IMPROVEMENT**

Curriculum development and supervision	132,065	133,565	129,238	-	4,327
Supervision - Regular school	1,914,850	1,937,849	1,891,678	576	45,595
In-service training - Instruction	113,250	91,650	57,490	450	33,710
Total Instruction, Administration and Improvement	2,160,165	2,163,064	2,078,406	1,026	83,632

TEACHING - REGULAR SCHOOL

	14,348,716	14,359,070	14,113,600	4,017	241,453
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**PROGRAMS FOR CHILDREN WITH
HANDICAPPING CONDITIONS**

Programs for students with disabilities	5,363,156	5,375,589	5,168,052	1,755	205,782
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(Continued)

Blind Brook - Rye Union Free School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
INSTRUCTION (Continued)					
INSTRUCTIONAL MEDIA					
School library and audiovisual	\$ 374,248	\$ 389,003	\$ 380,327	\$ -	\$ 8,676
Computer assisted instruction	755,303	779,210	778,287	-	923
Total Instructional Media	1,129,551	1,168,213	1,158,614	-	9,599
PUPIL SERVICES					
Guidance - Regular school	875,503	874,570	860,065	195	14,310
Health and diagnostic services - Regular school	327,557	370,359	361,247	-	9,112
Psychological services - Regular school	298,745	309,521	308,496	-	1,025
Co-curricular activities - Regular school	240,578	240,578	221,215	-	19,363
Interscholastic athletics - Regular school	565,934	565,934	498,491	9,026	58,417
Total Pupil Services	2,308,317	2,360,962	2,249,514	9,221	102,227
Total Instruction	25,309,905	25,426,898	24,768,186	16,019	642,693
PUPIL TRANSPORTATION					
District transportation services	512,599	512,599	456,523	-	56,076
Contract transportation and garage building	709,567	709,567	644,063	-	65,504
Total Pupil Transportation	1,222,166	1,222,166	1,100,586	-	121,580
COMMUNITY SERVICES					
Civic activities	1,000	1,000	-	-	1,000

EMPLOYEE BENEFITS					
State retirement	698,179	698,179	543,454	-	154,725
Teachers' retirement	2,545,590	2,546,916	2,520,698	-	26,218
Social security	1,725,139	1,725,284	1,724,836	-	448
Hospital, medical and dental insurance	4,240,750	4,177,064	3,979,071	-	197,993
Workers' compensation	145,928	145,928	144,352	-	1,576
Unemployment benefits	50,000	50,000	23,830	-	26,170
Union welfare benefits	339,300	339,300	323,350	-	15,950
	<u>9,744,886</u>	<u>9,682,671</u>	<u>9,259,591</u>	<u>-</u>	<u>423,080</u>
DEBT SERVICE					
Principal					
Serial bonds	1,565,000	1,565,000	1,565,000	-	-
Energy performance contract	53,154	53,154	53,154	-	-
	<u>1,618,154</u>	<u>1,618,154</u>	<u>1,618,154</u>	<u>-</u>	<u>-</u>
Interest					
Serial bonds	656,400	656,400	656,400	-	-
Energy performance contract	69,486	69,486	69,486	-	-
	<u>725,886</u>	<u>725,886</u>	<u>725,886</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>2,344,040</u>	<u>2,344,040</u>	<u>2,344,040</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>42,547,228</u>	<u>42,636,179</u>	<u>40,864,456</u>	<u>92,027</u>	<u>1,679,696</u>
OTHER FINANCING USES					
Transfers out					
Capital Projects Fund	98,757	98,757	97,378	-	1,379
Special Aid Fund	35,051	35,051	35,051	-	-
TOTAL OTHER FINANCING USES	<u>133,808</u>	<u>133,808</u>	<u>132,429</u>	<u>-</u>	<u>1,379</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 42,681,036</u>	<u>\$ 42,769,987</u>	<u>\$ 40,996,885</u>	<u>\$ 92,027</u>	<u>\$ 1,681,075</u>

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Blind Brook - Rye Union Free School District, New York

Special Aid Fund
Comparative Balance Sheet
June 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	\$ 35,051	\$ 32,288
State and Federal aid receivable	<u>494,030</u>	<u>267,159</u>
Total Assets	<u>\$ 529,081</u>	<u>\$ 299,447</u>
LIABILITIES		
Accounts payable	\$ 16,750	\$ 26,181
Unearned revenues	2,413	2,776
Due to other funds	<u>509,918</u>	<u>270,490</u>
Total Liabilities	<u>\$ 529,081</u>	<u>\$ 299,447</u>

Blind Brook - Rye Union Free School District, New York

Special Aid Fund

Comparative Schedule of Revenues, Expenditures and

Changes in Fund Balance - Budget and Actual

Years Ended June 30,

	2016			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State aid	\$ 147,769	\$ 171,516	\$ 171,516	\$ -
Federal aid	579,857	656,940	523,944	(132,996)
Total Revenues	727,626	828,456	695,460	(132,996)
EXPENDITURES				
Current				
Instruction	762,677	863,507	730,511	132,996
Deficiency of Revenues Over Expenditures	(35,051)	(35,051)	(35,051)	-
OTHER FINANCING SOURCES				
Transfers in	35,051	35,051	35,051	-
Net Change in Fund Balance	-	-	-	-
FUND BALANCE				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

2015			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 147,769	\$ 147,769	\$ 147,769	\$ -
511,958	513,338	382,921	(130,417)
659,727	661,107	530,690	(130,417)
694,064	695,444	562,978	132,466
(34,337)	(34,337)	(32,288)	2,049
34,337	34,337	32,288	(2,049)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Blind Brook - Rye Union Free School District, New York

Capital Projects Fund
Comparative Balance Sheet
June 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	\$ 260,691	\$ 243,442
Restricted cash	16,642	3,058,319
State and Federal aid receivable	<u>136,927</u>	<u>-</u>
Total Assets	<u>\$ 414,260</u>	<u>\$ 3,301,761</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 55,190	\$ -
Due to other funds	<u>61,847</u>	<u>6,332</u>
Total Liabilities	117,037	6,332
Fund balance		
Restricted	<u>297,223</u>	<u>3,295,429</u>
Total Liabilities and Fund Balance	<u>\$ 414,260</u>	<u>\$ 3,301,761</u>

Blind Brook - Rye Union Free School District, New York

Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended June 30,

	<u>2016</u>	<u>2015</u>
REVENUES		
State aid	\$ 136,927	\$ -
EXPENDITURES		
Capital outlay	<u>3,232,511</u>	<u>48,465</u>
Deficiency of Revenues Over Expenditures	<u>(3,095,584)</u>	<u>(48,465)</u>
OTHER FINANCING SOURCES		
Energy performance contract debt issued	-	3,070,767
Transfers in	<u>97,378</u>	<u>-</u>
Total Other Financing Sources	<u>97,378</u>	<u>3,070,767</u>
Net Change in Fund Balance	(2,998,206)	3,022,302
FUND BALANCE		
Beginning of Year	<u>3,295,429</u>	<u>273,127</u>
End of Year	<u><u>\$ 297,223</u></u>	<u><u>\$ 3,295,429</u></u>

Blind Brook - Rye Union Free School District, New York

Capital Projects Fund

Project-Length Schedule

Inception of Project Through June 30, 2016

PROJECT	Authorization	Expenditures and Transfers to Date		
		Prior Years	Current Year	Total
Ridge Street Capital Improvements	\$ 972,376	\$ 732,875	\$ 46,698	\$ 779,573
Energy Performance Contract Improvements	3,070,767	14,839	3,044,411	3,059,250
Smart Schools Bond Act	195,800	-	136,927	136,927
MS/HS Security Enhancement	98,757	-	4,475	4,475
	<u>\$ 4,337,700</u>	<u>\$ 747,714</u>	<u>\$ 3,232,511</u>	<u>\$ 3,980,225</u>

Unexpended Balance	Methods of Financing				Fund Balance at June 30, 2016
	State Aid	Transfers	Proceeds of Obligations	Total	
\$ 192,803	\$ 467,871	\$ 504,505	\$ -	\$ 972,376	\$ 192,803
11,517	-	-	3,070,767	3,070,767	11,517
58,873	136,927	-	-	136,927	-
94,282	-	97,378	-	97,378	92,903
<u>\$ 357,475</u>	<u>\$ 604,798</u>	<u>\$ 601,883</u>	<u>\$ 3,070,767</u>	<u>\$ 4,277,448</u>	<u>\$ 297,223</u>

Blind Brook - Rye Union Free School District, New York

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016
(With Comparative Totals for 2015)

	School Lunch	Special Purpose	Debt Service
ASSETS			
Cash and equivalents	\$ 117,502	\$ 66,763	\$ 328,862
Receivables			
Accounts	48	-	-
State and Federal aid	1,856	-	-
Due from other funds	23,959	1,163	-
	25,863	1,163	-
Inventories	2,939	-	-
Total Assets	<u>\$ 146,304</u>	<u>\$ 67,926</u>	<u>\$ 328,862</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 17,572	\$ -	\$ -
Unearned revenues	39,537	-	-
Due to other funds	-	-	-
Total Liabilities	<u>57,109</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	2,939	-	-
Restricted	-	67,926	328,862
Assigned	86,256	-	-
Total Fund Balances	<u>89,195</u>	<u>67,926</u>	<u>328,862</u>
Total Liabilities and Fund Balances	<u>\$ 146,304</u>	<u>\$ 67,926</u>	<u>\$ 328,862</u>

	Total Non-Major Governmental Funds	
Permanent	2016	2015
<u>\$ 2,998</u>	<u>\$ 516,125</u>	<u>\$ 553,892</u>
-	48	98
-	1,856	2,045
-	25,122	39,033
-	27,026	41,176
-	2,939	2,765
<u>\$ 2,998</u>	<u>\$ 546,090</u>	<u>\$ 597,833</u>
\$ -	\$ 17,572	\$ 30,845
-	39,537	41,850
-	-	33,267
-	57,109	105,962
2,920	5,859	5,685
78	396,866	405,245
-	86,256	80,941
2,998	488,981	491,871
<u>\$ 2,998</u>	<u>\$ 546,090</u>	<u>\$ 597,833</u>

Blind Brook - Rye Union Free School District, New York

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2016
(With Comparative Totals for 2015)

	School Lunch	Special Purpose	Debt Service
REVENUES			
Use of money and property	\$ 369	\$ 67	\$ 4,800
State aid	2,992	-	-
Federal aid	38,019	-	-
Food sales	548,611	-	-
Miscellaneous	3,836	38,602	-
	<u>593,827</u>	<u>38,669</u>	<u>4,800</u>
Total Revenues			
EXPENDITURES			
Current			
Instruction	-	51,799	-
Cost of food sales	588,338	-	-
Debt service			
Refunding bond issuance costs	-	-	-
	<u>588,338</u>	<u>51,799</u>	<u>-</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>5,489</u>	<u>(13,130)</u>	<u>4,800</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	-	-
Issuance premium	-	-	-
Payment to refunded bond escrow agent	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources			
Net Change in Fund Balances	5,489	(13,130)	4,800
FUND BALANCES			
Beginning of Year	<u>83,706</u>	<u>81,056</u>	<u>324,062</u>
End of Year	<u>\$ 89,195</u>	<u>\$ 67,926</u>	<u>\$ 328,862</u>

		Total Non-Major Governmental Funds	
Permanent		2016	2015
\$	1	\$ 5,237	\$ 4,855
	-	2,992	3,488
	-	38,019	34,708
	-	548,611	569,046
	-	42,438	22,376
	1	637,297	634,473
	50	51,849	3,600
	-	588,338	608,329
	-	-	110,000
	50	640,187	721,929
	(49)	(2,890)	(87,456)
	-	-	10,085,000
	-	-	1,772,005
	-	-	(11,747,005)
	-	-	110,000
	(49)	(2,890)	22,544
	3,047	491,871	469,327
\$	2,998	\$ 488,981	\$ 491,871

Blind Brook - Rye Union Free School District, New York

School Lunch Fund
Comparative Balance Sheet
June 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	<u>\$ 117,502</u>	<u>\$ 144,327</u>
Receivables		
Accounts	48	98
State and Federal aid	1,856	2,045
Due from other funds	<u>23,959</u>	<u>39,033</u>
	<u>25,863</u>	<u>41,176</u>
Inventories	<u>2,939</u>	<u>2,765</u>
Total Assets	<u><u>\$ 146,304</u></u>	<u><u>\$ 188,268</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 17,572	\$ 29,445
Unearned revenues	39,537	41,850
Due to other funds	<u>-</u>	<u>33,267</u>
Total Liabilities	<u>57,109</u>	<u>104,562</u>
Fund balance		
Nonspendable	2,939	2,765
Assigned	<u>86,256</u>	<u>80,941</u>
Total Fund Balance	<u>89,195</u>	<u>83,706</u>
Total Liabilities and Fund Balance	<u><u>\$ 146,304</u></u>	<u><u>\$ 188,268</u></u>

Blind Brook - Rye Union Free School District, New York

School Lunch Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended June 30,

	2016	2015
REVENUES		
Use of money and property	\$ 369	\$ 446
State aid	2,992	3,488
Federal aid	38,019	34,708
Food sales	548,611	569,046
Miscellaneous	3,836	1,001
Total Revenues	593,827	608,689
EXPENDITURES		
Current		
Cost of food sales	588,338	608,329
Excess of Revenues Over Expenditures	5,489	360
FUND BALANCE		
Beginning of Year	83,706	83,346
End of Year	\$ 89,195	\$ 83,706

Blind Brook - Rye Union Free School District, New York

Special Purpose Fund
Comparative Balance Sheet
June 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	\$ 66,763	\$ 82,456
Due from other funds	<u>1,163</u>	<u>-</u>
Total Assets	<u><u>\$ 67,926</u></u>	<u><u>\$ 82,456</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 1,400
Fund balance		
Restricted	<u>67,926</u>	<u>81,056</u>
Total Liabilities and Fund Balance	<u><u>\$ 67,926</u></u>	<u><u>\$ 82,456</u></u>

Blind Brook - Rye Union Free School District, New York

Special Purpose Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended June 30,

	2016	2015
REVENUES		
Use of money and property	\$ 67	\$ 74
Miscellaneous	38,602	21,375
	<hr/>	<hr/>
Total Revenues	38,669	21,449
EXPENDITURES		
Current		
Instruction	51,799	3,600
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	(13,130)	17,849
FUND BALANCE		
Beginning of Year	81,056	63,207
	<hr/>	<hr/>
End of Year	<u>\$ 67,926</u>	<u>\$ 81,056</u>

Blind Brook - Rye Union Free School District, New York

Debt Service Fund
Comparative Balance Sheet
June 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	<u>\$ 328,862</u>	<u>\$ 324,062</u>
FUND BALANCE		
Restricted	<u>\$ 328,862</u>	<u>\$ 324,062</u>

Blind Brook - Rye Union Free School District, New York

Debt Service Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Years Ended June 30,

	2016	2015
REVENUES		
Use of money and property	\$ 4,800	\$ 4,334
EXPENDITURES		
Debt service		
Refunding bond issuance costs	-	110,000
Excess (Deficiency) of Revenues Over Expenditures	4,800	(105,666)
OTHER FINANCING SOURCES (USES)		
Refunding bonds issued	-	10,085,000
Issuance premium	-	1,772,005
Payment to refunded bond escrow agent	-	(11,747,005)
Total Other Financing Sources	-	110,000
Net Change in Fund Balance	4,800	4,334
FUND BALANCE		
Beginning of Year	324,062	319,728
End of Year	\$ 328,862	\$ 324,062

Blind Brook - Rye Union Free School District, New York

Permanent Fund
Comparative Balance Sheet
June 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	<u>\$ 2,998</u>	<u>\$ 3,047</u>
FUND BALANCE		
Nonspendable	\$ 2,920	\$ 2,920
Restricted	<u>78</u>	<u>127</u>
Total Fund Balance	<u>\$ 2,998</u>	<u>\$ 3,047</u>

Blind Brook - Rye Union Free School District, New York

Permanent Fund

Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance

Years Ended June 30,

	<u>2016</u>	<u>2015</u>
REVENUES		
Use of money and property	\$ 1	\$ 1
EXPENDITURES		
Current		
Instruction	<u>50</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	(49)	1
FUND BALANCE		
Beginning of Year	<u>3,047</u>	<u>3,046</u>
End of Year	<u><u>\$ 2,998</u></u>	<u><u>\$ 3,047</u></u>

Blind Brook - Rye Union Free School District, New York

General Fund

Analysis of Change from Adopted Budget to Final Budget

Year Ended June 30, 2016

Adopted Budget	\$ 42,635,896
Additions - Encumbrances	<u>45,140</u>
Original Budget	42,681,036
Budget Amendments	<u>88,951</u>
Final Budget	<u><u>\$ 42,769,987</u></u>

General Fund

Section 1318 of Real Property Tax Law Limit Calculation

Year Ended June 30, 2016

2016-17 Expenditure Budget	<u>\$ 43,226,703</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted fund balance	
Assigned fund balance	1,642,027
Unassigned fund balance	<u>1,729,068</u>
Total Unrestricted Fund Balance	<u>3,371,095</u>
Less	
Appropriated for subsequent year's budget	1,550,000
Encumbrances	<u>92,027</u>
Total Adjustments	<u>1,642,027</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,729,068</u></u>
Actual Percentage	<u><u>4.00%</u></u>

Blind Brook - Rye Union Free School District, New York

Schedule of Net Investment in Capital Assets
Year Ended June 30, 2016

Capital Assets, net	\$ 35,019,665
Plus	
Unamortized portion of loss on refunding bonds	145,360
Unexpended debt proceeds	11,517
Less	
Bonds payable	(13,455,000)
Unamortized portion of premium on bonds	(1,899,512)
Energy performance contract payable	<u>(3,017,613)</u>
Net Investment in Capital Assets	<u>\$ 16,804,417</u>

**Blind Brook-Rye Union Free School District,
New York**

Extraclassroom Activity Funds

Statement of Cash Receipts, Cash Disbursements
and Cash Balances

Year Ended June 30, 2016



Independent Auditors' Report

**The Board of Education of the
Blind Brook-Rye Union Free School District, New York**

Report on the Financial Statements

We have audited the accompanying statement of cash receipts, cash disbursements and cash balances of the Extraclassroom Activity Funds of the Blind Brook-Rye Union Free School District, New York, as of and for the year ended June 30, 2016, and the related note to financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Basis for Qualified Opinion

Controls over cash receipts during the time period between when receipts are first received by student club members and when such receipts are given to School District personnel for initial entry in the accounting records are not sufficient to enable us to extend our audit procedures beyond the receipts recorded. Accordingly, we were unable to form an opinion with respect to the completeness of cash receipts.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the basis for qualified opinion paragraph, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts, cash disbursements and cash balances of the Extraclassroom Activity Funds of the Blind Brook-Rye Union Free School District, New York as of June 30, 2016 and for the year then ended, in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement was prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of the Board of Education, the State Education Department and management and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

August 17, 2016

Blind Brook - Rye Union Free School District, New York

Extraclassroom Activity Funds

Statement of Cash Receipts, Cash Disbursements and Cash Balances

Year Ended June 30, 2016

	Cash Balances Beginning	Receipts	Disburse- ments	Cash Balances Ending
Class of 2015	\$ 2,439	\$ -	\$ 2,439	\$ -
Class of 2016	12,186	27,117	39,198	105
Class of 2017	7,665	82,702	85,409	4,958
Class of 2018	1,509	7,015	1,896	6,628
Class of 2019	-	4,690	1,785	2,905
Altered Ego	18	-	18	-
Autism Speaks	594	80	116	558
Financial Markets Club	363	-	-	363
Focus (Newspaper)	743	3,205	2,908	1,040
French Club	343	-	343	-
Green Club	328	-	-	328
High School Community Service	4,465	30	741	3,754
High School Student Senate	8,401	15,216	15,174	8,443
High School Yearbook	8,774	770	1,052	8,492
Human Relations	3,555	1,625	3,697	1,483
Instrumental Music	2,421	20,307	17,010	5,718
Little Wishes Club	-	1,265	423	842
Middle School Government	12,396	696	4,813	8,279
Middle School Yearbook	1,068	357	-	1,425
Midnight Run	489	1,268	1,664	93
Model UN	5,854	38,737	39,288	5,303
Robotics Club	976	580	598	958
ROPE Club	556	-	-	556
SADD	41	-	41	-
Spanish Club	790	-	-	790
The Marketplace	-	7,049	4,467	2,582
World Language Club	65	-	65	-
Total	<u>\$ 76,039</u>	<u>\$ 212,709</u>	<u>\$ 223,145</u>	<u>\$ 65,603</u>

The accompanying note is an integral part of the financial statement.

Blind Brook-Rye Union Free School District, New York

Extraclassroom Activity Funds
Note to Financial Statement
June 30, 2016

Note 1 - Summary of Significant Accounting Policies

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Blind Brook-Rye Union Free School District, New York ("School District"). These funds are reflected in the financial statements of the School District within the Agency Fund.

A. Basis of Accounting

These financial statements were prepared on the basis of cash receipts and cash disbursements in conformity with the accounting principles prescribed by the New York State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

B. Deposits and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The Extraclassroom Activity Funds deposits and investment policies follow the School District's policies. The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies and obligations of New York State or its political subdivisions, and accordingly, the School District's policy provides for no credit risk on investments.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The School District has entered into custodial agreements with the various banks that hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2016.

The School District was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

**Blind Brook-Rye Union Free School District,
New York**

Communication of Internal Control Matters Identified in the
Audit to Those Charged with Governance and Management

June 30, 2016



**Communication of Internal Control Matters Identified in the Audit to
Those Charged with Governance and Management**

**The Board of Education
Blind Brook-Rye Union Free School District
390 North Ridge Street
Rye Brook, New York 10573**

Auditors' Communication on Internal Control

In planning and performing our audit of the basic financial statements of the Blind Brook-Rye Union Free School District, New York ("School District") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, as indicated in the attached Addendum A, we identify other accounting and auditing matters for your information.

This communication and addenda are intended solely for the information and use of the Board of Education and management and are not intended to be and should not be used by anyone other than these specified parties. We will be pleased to discuss these communications and comments in further detail at your convenience, or to assist you in implementing the recommendations.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Harrison, New York
August 19, 2016

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 I Tel: 914.381.8900 I Fax: 914.381.8910 I www.pkfod.com

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Blind Brook-Rye Union Free School District, New York

Addendum A

Other Matters

- **Governmental Accounting Standards Board (“GASB”) Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions”**

In June 2015, GASB issued Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.” This Statement replaces the requirements of GASB Statement No. 45 “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*”. The key difference in the new standard for New York municipalities and school districts (since New York State has not authorized the establishment of an Other Postemployment Benefit (“OPEB”) trust fund) is that these governments must now report the *total OPEB liability* related to their employees. The prior standard allowed for the amortization of prior service cost over a thirty year period.

The statement requires municipalities and school districts to present more extensive note disclosures and required supplementary information (“RSI”) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than that assumed in the financial statements. The new RSI includes a schedule showing the causes of the increase and decreases in the OPEB liability and a schedule comparing a government’s actual OPEB contributions to its contribution requirements.

This new standard parallels the pension standard in GASB Statement No. 68 “*Accounting and Financial Reporting for Pensions*”. Together, these two new standards provide consistent and comprehensive disclosure for all postemployment benefits. **The provisions of this Statement are effective for fiscal years beginning after June 15, 2017 (i.e., the School District’s financial statements for the year ending June 30, 2018).**

- **GASB Statement No. 77 “Tax Abatement Disclosures”**

In August 2015, GASB issued Statement No. 77 “*Tax Abatement Disclosures*”. The requirements of this Statement are intended to improve financial reporting by providing users of financial statements essential information and disclosure about the nature and magnitude of tax abatements, making these types of transactions more transparent to financial statement users. As a result, users should be better equipped to understand how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and the impact those abatements have on a government’s financial position and economic condition.

The statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government’s tax revenues. The new disclosures about one’s own tax abatement agreements include:

- The purpose of the abatement program
- The tax being abated
- Dollar amount of taxes abated

Blind Brook-Rye Union Free School District, New York

Addendum A

Other Matters

• **GASB Statement No. 77 “Tax Abatement Disclosures”** (Continued)

- Provisions for recapturing abated taxes
- The types of commitments made by tax abatement recipients
- Other commitments made by the entity in tax abatement agreements, such as to build infrastructure assets

The new disclosures about tax abatements that are entered into by other governments and reduce the reporting government’s tax revenues include:

- The name of the government entering into the abatement agreement
- The tax being abated
- Dollar amount of the reporting government’s taxes abated

The provisions of this Statement are effective for fiscal years beginning after December 15, 2015 (i.e., the School District’s financial statements for the year ending June 30, 2017).

Blind Brook-Rye Union Free School District, New York

Communication of Matters Identified in the Audit to Those Charged with Governance

We have audited the financial statements of the Blind Brook-Rye Union Free School District, New York ("School District") as of and for the year ended June 30, 2016, and have issued our report thereon dated August 17, 2016. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated February 11, 2016. This letter provides additional required communications related to our audit.

Our responsibility under professional standards

Our responsibility is to form and express an opinion about whether the financial statements, which are the responsibility of management, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Those individuals charged with governance of the School District are responsible for the oversight of the financial reporting process, and our audit does not relieve management and those charged with governance of their respective responsibilities.

Our responsibility for the supplementary information accompanying the financial statements is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

With respect to such supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with US GAAP, the method of preparing it has not changed from the prior year, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In connection with our audit we performed tests of the School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective to our tests was not to provide an opinion on compliance with such provisions.

Planned scope and timing of the audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Qualitative aspects of significant accounting practices

Significant accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the reporting period that had a significant impact on the financial statements. No matters have come to our attention that would require us to inform you about (1) the methods used to account for significant unusual transactions, and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Blind Brook-Rye Union Free School District, New York

Communication of Matters Identified in the Audit to Those Charged with Governance

Qualitative aspects of significant accounting practices *(Continued)*

Significant accounting estimates

Accounting estimates made by management are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates.

Certain accounting estimates are particularly sensitive because of their significance to financial statements and their susceptibility to change, such as:

- Actuarial assumptions related to the Other Post Employment Benefit Obligations ("OPEB")
- Actuarial assumptions and proportionate share calculations related to pension obligations
- Asset lives for depreciable capital assets
- Estimates of certain receivable balances and allowances for uncollectible amounts
- Estimates for certain operating and long-term liabilities

Management believes that the estimates used and assumptions made are adequate based on the information currently available. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.

Financial statement disclosures

Financial statement disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to:

- Pension plan information
- Other post employment benefit obligations payable
- Outstanding bonded indebtedness
- Fund balances

The financial statement disclosures are consistent and clear.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.

We are required to communicate to you misstatements that remain uncorrected, including any related to prior periods, and the effect, if any, that they may have on the opinion in our report, and request their correction. There are no such financial statement misstatements that remain uncorrected.

Blind Brook-Rye Union Free School District, New York

Communication of Matters Identified in the Audit to
Those Charged with Governance

Uncorrected and corrected misstatements *(Continued)*

In addition, we are required to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Our audit did not identify misstatements that were corrected by management.

Disagreements with management

For purposes of this letter, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing, which could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations requested from management

We have requested certain written representations from management in a separate letter dated August 17, 2016.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other matters discussed with management

We generally discuss with management a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School District, and plans and strategies that may affect the risks of material misstatement. None of the matters discussed and our responses thereto were a condition to our retention as auditors.

Auditor independence

We affirm that PKF O'Connor Davies, LLP is independent with respect to the School District in accordance with professional standards.

This communication is intended solely for the information and use of the Board of Education and management of the School District, is not intended to be, and should not be used by anyone other than these specified parties.

**Blind Brook–Rye Union Free School District
School Business Office
390 North Ridge Street
Rye Brook, NY 10573**

TO: Jonathan Ross

FROM: Mikaela Coni

RE: **External Auditors' Management Letter and Audit Report
Year Ending June 30, 2016**

DATE: September 1, 2016

Enclosed herewith for your review is a copy of the management letter dated 8/19/16 that corresponds to the 2016 Financial Statements/Auditors' Report, submitted by the District's auditing firm, PKF O'Connor Davies, LLP. I have carefully considered the contents of the letter and find it noteworthy that no deficiencies in internal control were identified. Accordingly, I am not recommending any corrective actions at this time.

In Addendum A, the auditors review the GASB Statements 75 and 77 which identify new reporting requirements for governments. GASB Statement 75 relates to the financial reporting for postemployment benefits other than pensions (OPEB). This Statement has replaced GASB No. 45 which becomes effective in 2017-2018. GASB Statement 77 relates to tax abatement disclosures which becomes effective in 2016-2017. While I do not expect this Statement to impact our School District in the short term, it could someday if the Board enters into PILOT agreements in the future. Both of these disclosures were included in the management letter for informational purposes.

In summary, I believe the financial statements and audit report prepared by PKFOD for the year ending 6/30/16 represent that the District is in satisfactory financial condition and that it has effective internal controls in place in its business office. A copy of this memo and audit materials will be forwarded to members of the Audit Committee and a meeting of the Committee will be scheduled to discuss the report with Scott Oling, Partner at PKFOD. For now, Scott is scheduled to attend the October Board Meeting to discuss the audit report with the Board in public session.

Please be sure to read the Management Discussion and Analysis section of the report. If you have any questions or suggestions that might help our business office function with greater operating efficiency please let me know.

Enclosure