

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

Financial Statements and  
Supplementary Information

Year Ended June 30, 2018

## 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, 2018, 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, 2018, 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.



### ***Emphasis of Matter***

We draw attention to Note 2E and Note 3E in the notes to financial statements which disclose the effects of the School District's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that 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 for the year ended June 30, 2018 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 for the year ended June 30, 2018 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 for the year ended June 30, 2018 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 for the year ended June 30, 2018.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the School District as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated August 28, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended June 30, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2017 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those 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 for the year ended June 30, 2017.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2018 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 effectiveness of the School District's 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 30, 2018

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**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, 2018, 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 30, 2018.

**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*.

## **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 30, 2018

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

Management's Discussion and Analysis (MD&A)  
June 30, 2018

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, 2018. 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 2017-2018**

Key financial highlights for fiscal year 2017-2018 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 \$1,760,369, or 3.90%, and therefore within the statutory limit.
- As of the close of the current fiscal year, the School District's governmental fund financial statements report a combined total ending fund balance of \$4,498,707, a decrease of \$814,180 from the prior year's ending fund balance of \$5,312,887. The major factor driving the decrease in combined total fund balance is the \$957,394 reduction of the fund balance in the Capital Projects Fund, which ended the fiscal year with an unassigned deficit fund balance of \$860,622. This deficit arises because of the application of generally accepted accounting principles to the financial reporting of such funds. The proceeds of the \$2.1 million bond anticipation note ("BAN"), issued to help finance the costs of the pre-construction phase of the District-wide Improvements capital project, is not recognized as revenue until it is converted to permanent financing ("i.e. serial bonds"). In spite of this overall net decrease in fund balance, the School District was still able to maintain resources in the restricted component of fund balance for tax certiorari claims and compensated absences. Also noteworthy about the total combined fund balance is that it includes an amount restricted for debt service of \$364,298, which may be used to help offset future debt service obligations.
- Within the governmental fund financial statements, while the combined total ending fund balance decreased by \$814,180, the General Fund's overall fund balance increased by \$101,199. The General Fund's unassigned fund balance of \$1,760,369, which represents about 37% of its total fund balance, increased by \$206,325 from the prior year.
- Of special note is the fact that the School District was able to budget \$1,568,841 as an appropriated surplus contribution to reduce the tax levy associated with the 2017-2018 budget and \$1,567,746 for the same purpose with the 2018-2019 budget. Favorable School District financial operations have permitted these management actions in recent years.
- On the district-wide financial statements, the liabilities and deferred inflows of resources of the School District exceeded the assets and deferred outflows at the close of its most recent fiscal year by \$37,538,654. The School District's total net position decreased by \$51,690,165 for the year ended June 30, 2018 (including an adjustment to the opening net position of (\$44,427,912) due to the implementation of the provisions contained in the Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*). The district-wide financial statements must report certain items in accordance with the pronouncements of the 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. These obligations include any benefits provided to retirees, other than a pension, including health insurance, life insurance, vision, dental, etc. The new standard requires the School District to report the *total*, rather than net, OPEB liability related to its employees, since New York State has not authorized the establishment of an irrevocable trust to set aside assets for this purpose. The prior standard under the provisions of GASB Statement No. 45 allowed for the amortization of prior service costs over a thirty year period. As a result of the new provisions, the School District's *total* OPEB liability as of June 30, 2018 is \$63,174,663, compared to the *net* OPEB liability of \$18,726,328 in the prior year. The OPEB liability is reflected 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. 75 is presented in note 3E in the notes to financial statements. Also noteworthy is that this new standard parallels the pension standard under the provisions of GASB Statement No. 68, presented in note 3E as well.

- During the current fiscal year, the School District issued \$4,752,354 in serial bonds to satisfy tax certiorari obligations. The School District retired \$1,620,000 of bonded indebtedness and \$182,050 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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$37,538,654 for the year ending June 30, 2018.

### Net Position

	June 30,	
	2018	2017
Current Assets	\$ 10,321,238	\$ 8,463,081
Capital Assets, net	33,987,195	34,095,956
<b>Total Assets</b>	<b>44,308,433</b>	<b>42,559,037</b>
Deferred Outflows of Resources	13,786,841	14,015,493
Current Liabilities	5,058,732	3,306,148
Long-Term Liabilities	83,801,178	38,356,538
<b>Total Liabilities</b>	<b>88,859,910</b>	<b>41,662,686</b>
Deferred Inflows of Resources	6,774,018	760,333
<b>Net Position</b>		
Net Investment in Capital Assets	18,896,088	17,863,392
Restricted for		
Capital Projects	11,173	96,772
Debt Service	364,298	343,553
Tax Certiorari	39,558	488,535
Retirement Contributions	225,535	275,535
Special Purposes	94,254	84,045
Permanent Fund	2,854	2,899
Unrestricted	(57,172,414)	(5,003,220)
<b>Total Net Position</b>	<b>\$ (37,538,654)</b>	<b>\$ 14,151,511</b>

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 \$737,672 of net position. There is a negative balance of unrestricted net position in the amount of \$57,172,414, primarily the result of the recognition of the OPEB liabilities.

This deficit does not mean that the School District does not have resources available to meet its obligations in the ensuing year. Rather, it is the result of having long-term commitments, including compensated absences (\$394,368), claims payable (\$328,603), net pension liabilities (\$366,698), retirement incentives (\$468,000) and OPEB obligations (\$63,174,663) that are greater than currently available resources. Payments for these liabilities will be budgeted in the years that the actual payments will be made.

## Changes in Net Position

	June 30,	
	2018	2017
<b>REVENUES</b>		
Program Revenues		
Charges for Services	\$ 1,511,876	\$ 1,432,831
Operating Grants and Contributions	899,891	759,885
Capital Grants and Contributions	63,470	3,174
Total Program Revenues	<u>2,475,237</u>	<u>2,195,890</u>
General Revenues		
Real Property Taxes	35,757,802	34,936,024
Other Tax Items	2,117,845	2,450,634
Non-Property Taxes	364,131	340,834
Unrestricted Use of Money and Property	170,209	58,531
Forfeitures	2,455	16,671
Unrestricted State Aid	2,888,552	2,839,470
Miscellaneous	87,381	190,806
Total General Revenues	<u>41,388,375</u>	<u>40,832,970</u>
Total Revenues	<u>43,863,612</u>	<u>43,028,860</u>
<b>PROGRAM EXPENSES</b>		
General Support	9,236,840	4,062,799
Instruction	39,361,117	38,270,863
Pupil Transportation	1,531,815	1,438,710
Cost of Food Sales	567,457	595,078
Interest	428,636	443,262
Total Expenses	<u>51,125,865</u>	<u>44,810,712</u>
Change in Net Position	<u>(7,262,253)</u>	<u>(1,781,852)</u>
<b>NET POSITION</b>		
Beginning, as reported	14,151,511	15,933,363
Cumulative Effect of Change in Accounting Principle	<u>(44,427,912)</u>	<u>-</u>
Beginning, as restated	<u>(30,276,401)</u>	<u>15,933,363</u>
Ending	<u><u>\$ (37,538,654)</u></u>	<u><u>\$ 14,151,511</u></u>

As seen above, governmental activities decreased the School District's net position by \$51,690,165 (including the cumulative effect of change in accounting principle for the adoption of the provisions of GASB Statement No. 75) during the current fiscal year. Noteworthy is the impact on this schedule of the requirements of recognizing OPEB and pension expenses in accordance with applicable pronouncements. Other changes in these activities are described below:

## *Revenues*

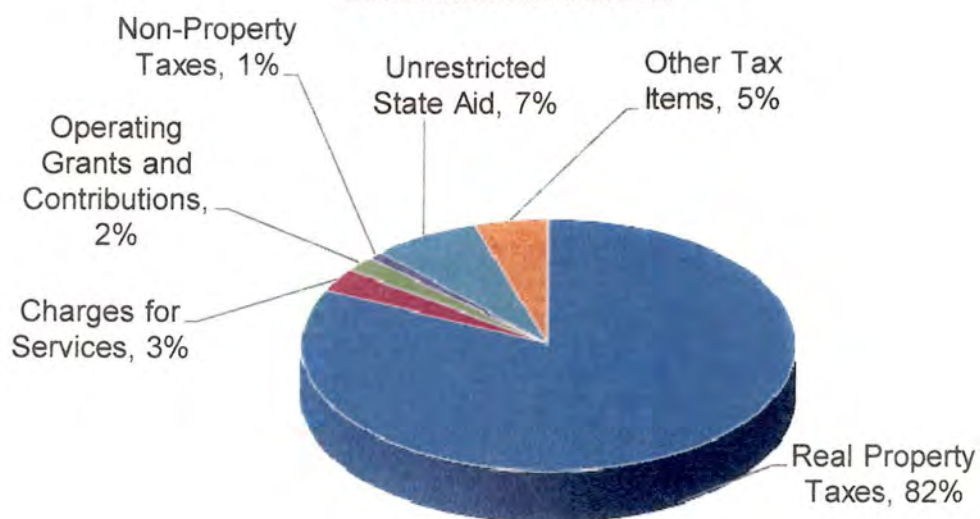
- Real property taxes increased by \$821,778. Although this was a result of a higher tax levy in the 2017-2018 fiscal year, it is noteworthy that it was under the maximum allowable tax levy limit associated with the NYS Real Property Tax Cap Legislation.
- Other tax items include reimbursements received from the School Tax Relief Reimbursement Program ("STAR"). STAR payments to the School District decreased from the prior year, as a result of the continuation of the 2% cap on STAR savings.
- The School District received \$170,209 in unrestricted interest earnings in 2017-2018, \$111,678 more than it received in the prior year as a result of a continuous rise in interest rate earnings.
- Non-property taxes increased by \$23,297 from the prior year reflecting a slight increase in sales tax revenue received by the School District from Westchester County in 2017-2018.
- Unrestricted State Aid allocated to the School District increased by \$49,082 from prior year amounts as a result of changes to the final Legislative enacted budget. Overall, the School District received slightly more than \$2.88 million in unrestricted State aid during this fiscal year.

## *Expenses*

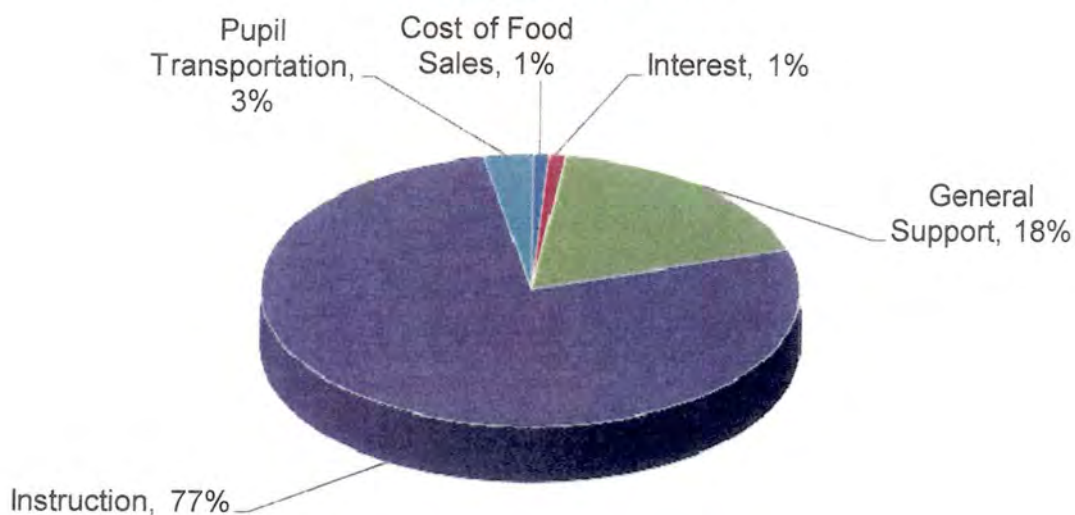
- General Support expenses increased by \$5,174,041. This increase is attributed to legal settlement costs incurred, contractual and/or Board-approved salary increases and additional operations and maintenance costs. As previously mentioned, the School District paid over \$4.7 million in tax refunds resulting from settlements of two substantial tax certiorari proceedings.
- Instruction program expenses increased by \$1,090,254 or 3% 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).
- Pupil transportation costs increased by \$93,105. This was a result of rising contract transportation costs and an increase in the number of resident students attending private and special education schools located outside the School District's borders.
- 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 \$14,626 in 2017-2018.

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 77% of its expenses.

**Sources of Revenue for Fiscal Year 2018**  
**Governmental Activities**



**Expenses for Fiscal Year 2018**  
**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 \$4,498,707, a decrease of \$814,180, or 15% from the prior year. As previously stated, a decrease in the fund balance of the Capital Projects Fund of \$957,394 was a primary factor driving the overall decrease in combined total fund balances from the prior year. Despite the decrease in the total combined fund balance, the General Fund's total fund balance increased by \$101,199. The total unassigned fund balance in the General Fund as of June 30, 2018 was \$1,760,369, an increase of \$206,325 from the prior year.

### **General Fund Budgetary Highlights**

The General Fund is the primary operating fund of the School District. The adopted budget for fiscal year 2017-2018 of \$43,915,067 was increased by \$4,966,822 as a result of the rollover of prior year encumbrances (\$77,300), the appropriation of fund balance restricted for tax certiorari (\$128,603) and employee benefit accrued liability (\$8,565) and the issuance of \$4,752,354 to fund two tax certiorari settlements. 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, 2018 was \$48,881,889.

Revenues exceeded the amount contained in the budget by \$138,660, and savings of \$1,685,477 were derived on the expenditure side of the budget, thus creating an operating surplus \$1,824,137 at June 30, 2018. 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 \$4,789,590, of which \$1,760,369 was unassigned, representing 3.90% 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, 2018 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 3H 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	\$ 430,995
	Reserved for Inventories (School Lunch Fund)	2,950
	Reserved for Trust (Permanent Fund)	<u>1,000</u>
		<u>434,945</u>
Restricted Fund Balance	Reserved for Tax Certiorari	368,161
	Reserved for Employee Benefit Accrued Liability	376,413
	Reserved for Retirement Contributions	225,535
	Reserved for Debt Service (Debt Service Fund)	364,298
	Reserved for Trusts (Special Purpose Fund)	94,254
	Permanent Fund Unreserved Fund Balance	<u>1,854</u>
		<u>1,430,515</u>
Assigned Fund Balance	Reserved for Encumbrances:	
	General Government Support	13,164
	Instruction	47,207
	School Lunch Fund Unreserved Fund Balance	105,383
	Appropriated Fund Balance -	
	Unreserved and undesignated	<u>1,567,746</u>
		<u>1,733,500</u>
Unassigned Fund Balance	Unreserved and Undesignated - General Fund	1,760,369
	Unreserved and Undesignated—Capital Projects Fund	<u>(860,622)</u>
		<u>899,747</u>
Total Fund Balance (as of 6/30/18)		<u>\$ 4,498,707</u>

### Capital Assets

At June 30, 2018, the School District had capital assets of \$33,987,195, net of accumulated depreciation, invested in a broad range of capital assets, including land, buildings and improvements, machinery and equipment and construction-in-progress. The change in capital assets, net of accumulated depreciation, is delineated below and provides comparative balances from the prior year.

Class	June 30,	
	2018	2017
Land	\$ 985,788	\$ 985,788
Construction-in-progress	1,064,091	176,355
Buildings and Improvements	31,662,521	32,729,989
Machinery and Equipment	<u>274,795</u>	<u>203,824</u>
Total Capital Assets, net of accumulated depreciation	<u>\$ 33,987,195</u>	<u>\$ 34,095,956</u>

The change in capital assets during the current fiscal year results from the net depreciation expense recorded in 2017-2018. The net depreciation expense exceeded the 2017-2018 capital outlay for new capital assets by \$108,761.

More detailed information about the School District's capital assets is presented in note 3B 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,	
	2018	2017
Bonds Payable	\$ 16,411,282	\$ 13,514,220
Energy Performance		
Contract Payable	2,657,564	2,839,614
Compensated Absences	394,368	350,373
Claims Payable	328,603	-
Net Pension Liability	366,698	2,356,003
Retirement Incentive Payable	468,000	570,000
Other Post Employment		
Benefit Obligations	63,174,663	18,726,328
Total	\$ 83,801,178	\$ 38,356,538

During the 2017-2018 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's voters did, however, pass a \$44.7 million bond vote on October 17, 2017, to fund a district-wide construction project. With this authorization, the School District issued a \$2.1 million bond anticipation note to finance the cost of the pre-construction phase of the project in 2017-2018. The School District also issued a \$4.75 million bond during the 2017-2018 fiscal year finance the cost of two tax certiorari settlements.

The School District's long term obligations increased by \$45,444,640 in 2017-2018. The increase is primarily attributed to the implementation of GASB Statement No. 75 for the year ended June 30, 2018. Under this new standard, the School District is required to report the *total* OPEB liability, rather than amortizing the cost over a period not to exceed thirty years as previously reported under GASB Statement No. 45.

More detailed information about the School District's long-term liabilities is presented in note 3E 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 \$4,789,590 for the year ended June 30, 2018. The School District has an unassigned fund balance in the General Fund of \$1,760,369, or 3.90% of the 2018-2019 budget. It has an additional \$1,628,117 in its assigned fund balances, of which \$1,567,746 has been appropriated to the 2018-2019 budget, and it has a restricted fund balance of \$970,109.

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 2017-2018 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, 2018.

### **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](http://www.blindbrook.org)

Blind Brook - Rye Union Free School District, New York

Statement of Net Position

June 30, 2018

	Governmental Activities
<b>ASSETS</b>	
Cash and equivalents	\$ 8,093,407
Receivables	
Accounts	64,256
State and Federal aid	682,947
Due from other governments	93,974
Inventories	2,950
Prepaid expenses	430,995
Net pension asset	952,709
Capital assets	
Not being depreciated	2,049,879
Being depreciated, net	31,937,316
Total Assets	44,308,433
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	13,786,841
<b>LIABILITIES</b>	
Accounts payable	312,397
Accrued liabilities	47,306
Bond anticipation notes payable	2,100,000
Unearned revenues	168,341
Due to other governments	44,577
Due to retirement systems	2,197,201
Accrued interest payable	188,910
Non-current liabilities	
Due within one year	2,487,650
Due in more than one year	81,313,528
Total Liabilities	88,859,910
<b>DEFERRED INFLOWS OF RESOURCES</b>	6,774,018
<b>NET POSITION</b>	
Net investment in capital assets	18,896,088
Restricted	
Capital projects	11,173
Debt service	364,298
Tax certiorari	39,558
Retirement contributions	225,535
Special purposes	94,254
Permanent Fund	2,854
Unrestricted	(57,172,414)
Total Net Position	\$ (37,538,654)

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, 2018

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	\$ 9,236,840	\$ 245,020	\$ 8,229	\$ -	\$ (8,983,591)
Instruction	39,361,117	730,081	821,902	42,725	(37,766,409)
Pupil transportation	1,531,815	10,256	24,329	-	(1,497,230)
Cost of food sales	567,457	526,519	45,431	-	4,493
Interest	428,636	-	-	20,745	(407,891)
Total Governmental Activities	<u>\$ 51,125,865</u>	<u>\$ 1,511,876</u>	<u>\$ 899,891</u>	<u>\$ 63,470</u>	<u>(48,650,628)</u>
General revenues					
Real property taxes					35,757,802
Other tax items					
School tax relief reimbursement					2,117,845
Non-property taxes					
Non-property tax distribution from County					364,131
Unrestricted use of money and property					170,209
Sale of property and compensation for loss					2,455
Unrestricted State aid					2,888,552
Miscellaneous					87,381
Total General Revenues					<u>41,388,375</u>
Change in Net Position					<u>(7,262,253)</u>
Net Position - Beginning, as reported					14,151,511
Cumulative Effect of Change in Accounting Principle					<u>(44,427,912)</u>
Net Position - Beginning, as restated					<u>(30,276,401)</u>
Net Position - Ending					<u>\$ (37,538,654)</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, 2018

	General	Special Aid	Capital Projects
<b>ASSETS</b>			
Cash and equivalents	\$ 5,806,631	\$ 21,845	\$ 1,646,536
Receivables			
Accounts	50,121	-	-
State and Federal aid	279,446	401,838	-
Due from other governments	93,974	-	-
Due from other funds	667,979	-	-
Inventories	-	-	-
Prepaid expenditures	430,995	-	-
Total Assets	<u>\$ 7,329,146</u>	<u>\$ 423,683</u>	<u>\$ 1,646,536</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
Liabilities			
Accounts payable	\$ 123,869	\$ 7,067	\$ 154,771
Accrued liabilities	47,306	-	-
Bond anticipation notes payable	-	-	2,100,000
Unearned revenues	126,603	-	-
Due to other funds	-	416,616	252,387
Due to other governments	44,577	-	-
Due to retirement systems	2,197,201	-	-
Total Liabilities	<u>2,539,556</u>	<u>423,683</u>	<u>2,507,158</u>
Fund balances (deficits)			
Nonspendable	430,995	-	-
Restricted	970,109	-	-
Assigned	1,628,117	-	-
Unassigned	1,760,369	-	(860,622)
Total Fund Balances (Deficits)	<u>4,789,590</u>	<u>-</u>	<u>(860,622)</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 7,329,146</u>	<u>\$ 423,683</u>	<u>\$ 1,646,536</u>

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

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ 618,395	\$ 8,093,407
14,135	64,256
1,663	682,947
-	93,974
1,532	669,511
2,950	2,950
-	430,995
<u>\$ 638,675</u>	<u>\$ 10,038,040</u>

\$ 26,690	\$ 312,397
-	47,306
-	2,100,000
41,738	168,341
508	669,511
-	44,577
-	2,197,201
<u>68,936</u>	<u>5,539,333</u>

3,950	434,945
460,406	1,430,515
105,383	1,733,500
-	899,747
<u>569,739</u>	<u>4,498,707</u>
<u>\$ 638,675</u>	<u>\$ 10,038,040</u>

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

Reconciliation of Governmental Funds Balance Sheet to  
the District-Wide Statement of Net Position  
June 30, 2018

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Fund Balances - Total Governmental Funds	\$ 4,498,707
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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.	33,987,195
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Governmental funds do not report the effect of losses on refunding  
bonds and assets or liabilities related to net pension and post  
employment benefit obligations whereas these amounts are  
deferred and amortized in the statement of activities.

Deferred amounts on refunding bonds	97,180
Deferred amounts on net pension assets (liabilities)	9,747,719
Deferred amounts on other postemployment benefit obligations	(2,832,076)

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7,012,823

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

Net pension assets	952,709
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Long-term liabilities that are not due and payable in the current  
period and, therefore, are not reported in the funds.

Accrued interest payable	(188,910)
Claims payable	(328,603)
Bonds payable	(16,411,282)
Energy performance contract payable	(2,657,564)
Compensated absences	(394,368)
Net pension obligation	(366,698)
Retirement incentive payable	(468,000)
Other post employment benefit obligations payable	(63,174,663)

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(83,990,088)

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Net Position of Governmental Activities	\$ (37,538,654)
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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, 2018

	General	Special Aid	Capital Projects
<b>REVENUES</b>			
Real property taxes	\$ 35,757,802	\$ -	\$ -
Other tax items	2,117,845	-	-
Non-property taxes	364,131	-	-
Charges for services	740,337	-	-
Use of money and property	423,458	-	-
Sale of property and compensation for loss	2,455	-	-
State aid	2,991,477	117,752	42,725
Federal aid	-	486,296	-
Food sales	-	-	-
Miscellaneous	87,381	-	-
Total Revenues	42,484,886	604,048	42,725
<b>EXPENDITURES</b>			
Current			
General support	8,274,775	-	-
Instruction	25,675,047	633,486	-
Pupil transportation	1,304,126	-	-
Employee benefits	9,443,723	-	-
Cost of food sales	-	-	-
Capital outlay	-	-	1,000,119
Debt service			
Principal	1,802,050	-	-
Interest	606,882	-	-
Total Expenditures	47,106,603	633,486	1,000,119
Excess (Deficiency) of Revenues Over Expenditures	(4,621,717)	(29,438)	(957,394)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds issued	4,752,354	-	-
Transfers in	-	29,438	-
Transfers out	(29,438)	-	-
Total Other Financing Sources (Uses)	4,722,916	29,438	-
Net Change in Fund Balances	101,199	-	(957,394)
<b>FUND BALANCES (DEFICITS)</b>			
Beginning of Year	4,688,391	-	96,772
End of Year	\$ 4,789,590	\$ -	\$ (860,622)

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

Non-Major Governmental	Total Governmental Funds
\$ -	\$ 35,757,802
-	2,117,845
-	364,131
-	740,337
22,861	446,319
-	2,455
3,212	3,155,166
39,406	525,702
526,519	526,519
139,955	227,336
731,953	43,863,612
-	8,274,775
129,094	26,437,627
-	1,304,126
-	9,443,723
560,844	560,844
-	1,000,119
-	1,802,050
-	606,882
689,938	49,430,146
42,015	(5,566,534)
-	4,752,354
-	29,438
-	(29,438)
-	4,752,354
42,015	(814,180)
527,724	5,312,887
\$ 569,739	\$ 4,498,707

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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, 2018

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

Net Change in Fund Balances - Total Governmental Funds \$ (814,180)

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	1,000,030
Depreciation expense	<u>(1,108,791)</u>
	<u>(108,761)</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.

Bonds issued	(4,752,354)
Principal paid on serial bonds	1,620,000
Principal paid on energy performance contract debt	182,050
Amortization of loss on refunding bonds and issuance premium	<u>211,202</u>
	<u>(2,739,102)</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	(32,956)
Claims payable	(328,603)
Compensated absences	(43,995)
Retirement incentive payable	102,000
Pension assets (obligations)	(444,157)
Other post employment benefit obligations payable	<u>(2,852,499)</u>
	<u>(3,600,210)</u>

Change in Net Position of Governmental Activities \$ (7,262,253)

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, 2018

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Real property taxes	\$ 35,757,802	\$ 35,757,802	\$ 35,757,802	\$ -
Other tax items	2,117,845	2,117,845	2,117,845	-
Non-property taxes	335,000	335,000	364,131	29,131
Charges for services	785,000	785,000	740,337	(44,663)
Use of money and property	240,000	240,000	423,458	183,458
Sale of property and compensation for loss	-	-	2,455	2,455
State aid	2,993,179	2,993,179	2,991,477	(1,702)
Federal aid	-	-	-	-
Miscellaneous	117,400	117,400	87,381	(30,019)
Total Revenues	42,346,226	42,346,226	42,484,886	138,660
<b>EXPENDITURES</b>				
Current				
General support	3,645,752	8,589,462	8,274,775	314,687
Instruction	26,813,229	26,685,907	25,675,047	1,010,860
Pupil transportation	1,333,102	1,344,681	1,304,126	40,555
Community services	1,000	1,000	-	1,000
Employee benefits	9,750,520	9,812,075	9,443,723	368,352
Debt service				
Principal	1,802,050	1,802,050	1,802,050	-
Interest	606,882	606,882	606,882	-
Total Expenditures	43,952,535	48,842,057	47,106,603	1,735,454
Deficiency of Revenues Over Expenditures	(1,606,309)	(6,495,831)	(4,621,717)	1,874,114
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued	-	4,752,354	4,752,354	-
Transfers in	-	-	-	-
Transfers out	(39,832)	(39,832)	(29,438)	10,394
Total Other Financing Sources (Uses)	(39,832)	4,712,522	4,722,916	10,394
Net Change in Fund Balances	(1,646,141)	(1,783,309)	101,199	1,884,508
<b>FUND BALANCES</b>				
Beginning of Year	1,646,141	1,783,309	4,688,391	2,905,082
End of Year	\$ -	\$ -	\$ 4,789,590	\$ 4,789,590

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)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
117,752	117,752	117,752	-
524,942	524,942	486,296	(38,646)
-	-	-	-
642,694	642,694	604,048	(38,646)
-	-	-	-
682,526	682,526	633,486	49,040
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
682,526	682,526	633,486	49,040
(39,832)	(39,832)	(29,438)	10,394
-	-	-	-
39,832	39,832	29,438	(10,394)
-	-	-	-
39,832	39,832	29,438	(10,394)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

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

**Statement of Assets and Liabilities**

Fiduciary Fund

June 30, 2018

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and equivalents	<u>\$ 160,478</u>
<b>LIABILITIES</b>	
Deposits payable	\$ 102,778
Accounts payable	3,780
Student activity funds	<u>53,920</u>
Total Liabilities	<u>\$ 160,478</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, was established in 1950 and 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 established 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) - The 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.

**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. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are recognized as revenues when the expenditure is made. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. 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, claims, 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**

**Cash and Equivalents, Investments 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.

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.

**Investments** - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The School District follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with

**Note 1 - Summary of Significant Accounting Policies (Continued)**

unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

**Risk Disclosure**

**Interest Rate Risk** - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the School District does not invest in any long-term investment obligations.

**Custodial Credit Risk** - 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 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, 2018.

**Credit Risk** - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The School District does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

**Concentration of Credit Risk** - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The School District's investment policy limits the amount on deposit at each of its banking institutions.

**Property Taxes Receivable** - Real property taxes attach as an enforceable lien on real property as of July 1st and are payable in two installments in September and January. The Town of Rye, New York ("Town") 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 expenses/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, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.



**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Inventories** - Inventories in the School Lunch Fund consists of surplus 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 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 consists of insurance costs and other charges for services, which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent years 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 acquisition 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 has been satisfied. In the district-wide financial statements, unearned revenues consists of amounts received in advance and/or grants received before the eligibility requirements have been met.



**Note 1 - Summary of Significant Accounting Policies (Continued)**

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 \$126,603 in the General Fund for tuition paid in advance and monies received to be used to support fiscal year 2018/19 Kindergarten aides salaries and benefits and \$41,738 for meal purchases in advance in the School Lunch Fund. Such amounts 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.

Deferred outflows and inflows of resources have been reported on the district-wide Statement of Net Position for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
New York State Teachers' Retirement System	\$ 12,459,965	\$ 2,774,063
New York State and Local Employees' Retirement System	1,229,696	1,167,879
Other postemployment benefit obligations	-	2,832,076
Deferred loss on refunding bonds	97,180	-
	<u>\$ 13,786,841</u>	<u>\$ 6,774,018</u>

The amount reported for the deferred loss on refunding bonds 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 amounts reported as deferred outflows of resources and deferred inflows of resources in relation to the School District's pension and other postemployment benefit obligations are detailed in Note 3E.

**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 applicable premium or discount. Bond issuance costs are expensed 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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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 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"*.

**Net Position** - Net position represents 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 its 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 includes net investment in capital assets, restricted for capital projects, debt service, tax certiorari, retirement contributions, 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:

Nonspendable 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



**Note 1 - Summary of Significant Accounting Policies (Continued)**

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 the 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.

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.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**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 30, 2018.

**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.
- 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.



**Note 2 - Stewardship, Compliance and Accountability (Continued)**

- 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.

**C. Property Tax Limitation**

The School District is not limited as to the maximum amount of real property taxes which may be raised. However, 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.

**D. Capital Projects Fund Deficit**

The unassigned deficit in the Capital Projects Fund of \$860,622 arises because of the application of generally accepted accounting principles to the financial reporting of such funds. The proceeds of bond anticipation notes issued to finance construction of capital projects are not recognized as an "other financing source". Liabilities for bond anticipation notes issued are accounted for in the Capital Projects Fund. Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. This deficit will be reduced and eliminated as the bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing.

**Note 2 - Stewardship, Compliance and Accountability (Continued)****E. Cumulative Effect of Change in Accounting Principle**

For the year ended June 30, 2018, the School District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB")". This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governments by establishing standards for recognizing and measuring liabilities, deferred outflows/inflows of resources and expenses/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to the periods of employee service. As a result of adopting these standards, the district-wide financial statements reflect a cumulative effect for the change in accounting principle of \$(44,427,912).

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

The composition of interfund balances at June 30, 2018 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 667,979	\$ -
Special Aid	-	416,616
Capital Projects	-	252,387
Non-Major Governmental	1,532	508
	<u>\$ 669,511</u>	<u>\$ 669,511</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) payment 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, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital Assets, not being depreciated:				
Land	\$ 985,788	\$ -	\$ -	\$ 985,788
Construction-in-progress	176,355	887,736	-	1,064,091
Total Capital Assets, not being depreciated	<u>\$ 1,162,143</u>	<u>\$ 887,736</u>	<u>\$ -</u>	<u>\$ 2,049,879</u>

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

Notes to Financial Statements (Continued)  
June 30, 2018

## Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets, being depreciated:				
Buildings and Improvements	\$ 53,686,708	\$ -	\$ -	\$ 53,686,708
Machinery and Equipment	1,873,637	112,294	44,944	1,940,987
Total Capital Assets, being depreciated	55,560,345	112,294	44,944	55,627,695
Less Accumulated Depreciation for:				
Buildings and Improvements	20,956,719	1,067,468	-	22,024,187
Machinery and Equipment	1,669,813	41,323	44,944	1,666,192
Total Accumulated Depreciation	22,626,532	1,108,791	44,944	23,690,379
Total Capital Assets, being depreciated, net	\$ 32,933,813	\$ (996,497)	\$ -	\$ 31,937,316
Capital Assets, net	\$ 34,095,956	\$ (108,761)	\$ -	\$ 33,987,195

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

General support	\$ 10,791
Instruction	1,059,680
Cost of food sales	6,613
Pupil transportation	31,707
Total Depreciation Expense	\$ 1,108,791

### C. Accrued Liabilities

Accrued liabilities at June 30, 2018 were as follows:

	General Fund
Payroll and Employee Benefits	\$ 47,306

### D. Short-Term Capital Borrowings – Bond Anticipation Notes

The schedule below details the changes in short-term capital borrowings:

Purpose	Year of Original Issue	Interest Rate	Balance July 1, 2017	New Issues	Redemptions	Balance June 30, 2018
District-wide Improvements	2018	2.50 %	\$ -	\$ 2,100,000	\$ -	\$ 2,100,000

Interest expense of \$21,875 was recorded in the district-wide financial statements.



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

Notes to Financial Statements (Continued)  
June 30, 2018

## Note 3 - Detailed Notes on All Funds (Continued)

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes must be converted to long-term obligations generally within five years after the original issue date. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual payments of principal are made.

### E. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2018:

	Balance, as Reported July 1, 2017	Cumulative Effect of Change in Accounting Principle *	Balance, as Restated July 1, 2017	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2018	Due Within One-Year
Bonds Payable:							
Capital Construction	\$ 11,850,000	\$ -	\$ 11,850,000	\$ -	\$ 1,620,000	\$ 10,230,000	\$ 1,640,000
Judgments and Claims	-	-	-	4,752,354	-	4,752,354	187,354
	11,850,000	-	11,850,000	4,752,354	1,620,000	14,982,354	1,827,354
Plus - Unamortized Premium on Bonds	1,664,220	-	1,664,220	-	235,292	1,428,928	-
	13,514,220	-	13,514,220	4,752,354	1,855,292	16,411,282	1,827,354
Energy Performance Contract Payable	2,839,614	-	2,839,614	-	182,050	2,657,564	186,193
Other Non-current Liabilities:							
Compensated Absences	350,373	-	350,373	78,995	35,000	394,368	39,000
Claims Payable	-	-	-	328,603	-	328,603	328,603
Net Pension Liability	2,356,003	-	2,356,003	-	1,989,305	366,698	-
Retirement Incentive Payable	570,000	-	570,000	63,000	165,000	468,000	106,500
Other Post Employment Benefit Obligations	18,726,328	44,427,912	63,154,240	1,396,522	1,376,099	63,174,663	-
Total Other Non- Current Liabilities	22,002,704	44,427,912	66,430,616	1,867,120	3,565,404	64,732,332	474,103
Total Long-Term Liabilities	\$ 38,356,538	\$ 44,427,912	\$ 82,784,450	\$ 6,619,474	\$ 5,602,746	\$ 83,801,178	\$ 2,487,650

\*See Note 2E

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

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

Notes to Financial Statements (Continued)  
June 30, 2018

## Note 3 - Detailed Notes on All Funds (Continued)

### Bonds Payable

Bonds payable at June 30, 2018 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2018
Refunding Bonds	2011	\$ 8,405,000	February, 2021	5.00%	\$ 2,440,000
Refunding Bonds	2014	10,085,000	November, 2025	4.00-5.00%	7,790,000
Tax Certiorari	2018	4,752,354	February, 2038	3.00-3.25%	4,752,354
					<u>\$ 14,982,354</u>

Interest expenditures of \$543,650 were recorded in the fund financial statements in the General Fund. Interest expense of \$346,346 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, 2018 was \$2,657,564.

Interest expenditures of \$63,232 were recorded in the fund financial statements in the General Fund. Interest expense of \$60,415 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, 2018 including interest payments of \$3,963,557 are as follows:

Year Ending June 30,	Bonds		Energy Performance Contract		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,827,354	\$ 603,798	\$ 186,193	\$ 59,089	\$ 2,013,547	\$ 662,887
2020	1,860,000	543,994	190,430	54,852	2,050,430	598,846
2021	1,900,000	457,994	194,763	50,518	2,094,763	508,512
2022	1,140,000	365,669	199,195	46,086	1,339,195	411,755
2023	1,190,000	311,444	203,728	41,553	1,393,728	352,997
2024-2028	4,345,000	773,220	1,090,328	136,078	5,435,328	909,298
2029-2033	1,245,000	352,270	592,927	20,276	1,837,927	372,546
2034-2038	1,475,000	146,716	-	-	1,475,000	146,716
	<u>\$ 14,982,354</u>	<u>\$ 3,555,105</u>	<u>\$ 2,657,564</u>	<u>\$ 408,452</u>	<u>\$ 17,639,918</u>	<u>\$ 3,963,557</u>



**Note 3 - Detailed Notes on All Funds (Continued)**

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.

**Claims Payable**

Claims payable reflects a liability of \$328,603 for court ordered tax certiorari refunds, which were not due and payable at year-end. These amounts have been recorded as an expense in the district-wide financial statements.

**Pension Plans**

*New York State and Local Retirement System and Teachers' 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 may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The School District also 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

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

Notes to Financial Statements (Continued)  
June 30, 2018

## Note 3 - Detailed Notes on All Funds (Continued)

at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

ERS and TRS are noncontributory for employees who joined the systems before July 27, 1976. Employees who joined the systems after July 27, 1976 and before January 1, 2010 contribute 3% of their salary for the first ten years of membership. Employees who joined the systems after January 1, 2010 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. 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 rates for the plans' year ending in 2018 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	1 75I	21.5 %
	3 A15	15.9
	4 A15	15.9
	5 A15	13.1
	6 A15	9.3
TRS	1-6	9.8 %

At June 30, 2018, the School District reported the following for its proportionate share of the net pension liability (asset) for ERS and TRS:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Net pension liability (asset)	\$ 366,698	\$ (952,709)
School Districts' proportion of the net pension liability (asset)	0.0113619 %	0.125340 %
Change in proportion since the prior measurement date	0.0005267 %	0.000424 %

The net pension liability (asset) was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS and the total pension liability used to calculate the net pension liability (asset) were determined by actuarial valuations as of those dates. The School District's proportion of the net pension liability for ERS 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. The School District's proportion of the net pension asset for TRS was based on the School District's contributions to the pension plan relative to the contributions of all participating members.

For the year ended June 30, 2018, the School District recognized pension expense in the district-wide financial statements of \$2,881,295 (\$502,134 for ERS and \$2,379,161 for TRS). Pension

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

Notes to Financial Statements (Continued)  
June 30, 2018

## Note 3 - Detailed Notes on All Funds (Continued)

expenditures for ERS of \$506,711 were recorded in the fund financial statements in the General Fund. Pension expenditures for TRS of \$1,929,593 and \$834 were reported in the fund financial statements and were charged to the General and Special Aid funds, respectively.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS		TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 130,789	\$ 108,079	\$ 783,846	\$ 371,450
Changes of assumptions	243,151	-	9,694,004	-
Net difference between projected and actual earnings on pension plan investments	532,600	1,051,299	-	2,243,906
Changes in proportion and differences between School District contributions and proportionate share of contributions	181,962	8,501	59,823	158,707
School District contributions subsequent to the measurement date	141,194	-	1,922,292	-
	<u>\$ 1,229,696</u>	<u>\$ 1,167,879</u>	<u>\$ 12,459,965</u>	<u>\$ 2,774,063</u>
	Total			
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 914,635	\$ 479,529		
Changes of assumptions	9,937,155	-		
Net difference between projected and actual earnings on pension plan investments	532,600	3,295,205		
Changes in proportion and differences between School District contributions and proportionate share of contributions	241,785	167,208		
School District contributions subsequent to the measurement date	2,063,486	-		
	<u>\$ 13,689,661</u>	<u>\$ 3,941,942</u>		

\$141,194 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 plan's year ended March 31, 2019. The \$1,922,292 reported as deferred outflows of resources related to TRS will be recognized as an increase of the net pension asset in the plan's year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and TRS will be recognized in pension expense as follows:



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

Notes to Financial Statements (Continued)  
June 30, 2018

## Note 3 - Detailed Notes on All Funds (Continued)

Year Ended	March 31,	June 30,
	ERS	TRS
2018	\$ -	\$ 205,061
2019	138,169	2,549,330
2020	114,927	1,819,960
2021	(228,140)	440,222
2022	(104,333)	1,814,620
Thereafter	-	934,417

The total pension liability for the ERS and TRS measurement dates were determined by using actuarial valuation dates as noted below, with update procedures used to roll forward the total pension liabilities to those measurement dates. Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Investment rate of return	7.0% *	7.25% *
Salary scale	3.8%	1.90%-4.72%
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.5%

\*Compounded annually, net of pension plan investment expenses, including inflation.

For ERS, annuitant mortality rates are based on the ERS's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the ERS valuation were based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. The actuarial assumptions used in the TRS valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

For ERS, 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.

For TRS, 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

**Note 3 - Detailed Notes on All Funds (Continued)**

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 the target asset allocation is summarized in the following table:

Asset Type	ERS March 31, 2018		TRS June 30, 2017	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	4.55 %	35 %	5.90 %
International Equity	14	6.35	18	7.40
Private Equity	10	7.50	8	9.00
Real Estate	10	5.55	11	4.30
Domestic Fixed Income Securities	-	-	16	1.60
Global Fixed Income Securities	-	-	2	1.30
High Yield Fixed Income Securities	-	-	1	3.90
Short-Term	-	-	1	0.60
Absolute Return Strategies	2	3.75	-	-
Opportunistic Portfolio	3	5.68	-	-
Real Assets	3	5.29	-	-
Bonds and Mortgages	17	1.31	8	2.80
Cash	1	(0.25)	-	-
Inflation Indexed Bonds	4	1.25	-	-
	<u>100 %</u>		<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.5% for ERS and 2.2% for TRS.

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the System'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% for ERS and 7.25% for TRS, 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% for ERS and 6.25% for TRS) or 1 percentage point higher (8.0% for ERS and 8.25% for TRS) than the current rate:



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

Notes to Financial Statements (Continued)  
June 30, 2018

## Note 3 - Detailed Notes on All Funds (Continued)

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the ERS net pension liability (asset)	\$ 2,774,538	\$ 366,698	\$ (1,670,238)
	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
School District's proportionate share of the TRS net pension liability (asset)	\$ 16,412,361	\$ (952,709)	\$ (15,495,094)

The components of the collective net pension liability as of the March 31, 2018 ERS measurement date and the June 30, 2017 TRS measurement date were as follows:

	ERS	TRS
Total pension liability	\$ 183,400,590,000	\$ 114,708,261,032
Fiduciary net position	180,173,145,000	115,468,360,316
Employers' net pension liability (asset)	\$ 3,227,445,000	\$ (760,099,284)
Fiduciary net position as a percentage of total pension liability	98.24%	100.66%

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Employee contributions are remitted monthly.

Employer and employee contributions for the year ended June 30, 2018 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, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 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 as of June 30, 2018 were \$141,194 to ERS and \$2,056,007 to TRS (including employee contributions of \$133,715).

### Voluntary Defined Contribution Plan

The School District may offer 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.

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

Notes to Financial Statements (Continued)  
June 30, 2018

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### **Note 3 - Detailed Notes on All Funds (Continued)**

#### **Retirement Incentive Payable**

In a 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, 2018 is \$385,000.

In the prior year, the School District entered into a retirement incentive agreement with the Blind Brook Federation of Teachers. For teachers with twenty or more years of service to the School District who retired as of June 30, 2017, a non-elective employer contribution of \$30,000 would be made into their 403-b accounts in July 2017. For teachers with at least ten years but less than twenty years of service to the School District who retired as of June 30, 2017, a non-elective employer contribution of \$20,000 would be made into their 403-b accounts, payable \$10,000 in July 2017 and \$10,000 in July 2018. The balance due at June 30, 2018 is \$20,000.

In the current year, the School District entered into another retirement incentive agreement with the Blind Brook Federation of Teachers. For teachers with twenty or more years of service to the School District who retired as of June 30, 2018, a non-elective employer contribution of \$18,000 would be made into their 403-b accounts, payable \$9,000 in July 2018 and \$9,000 in July 2019. For teachers with at least ten years but less than twenty years of service to the School District who retired as of June 30, 2018, a non-elective employer contribution of \$10,000 would be made into their 403-b accounts, payable \$5,000 in July 2018 and \$5,000 in July 2019. For teachers with nine years of service to the School District who retired as of June 30, 2018, a non-elective employer contribution of \$9,000 would be made into their 403-b accounts, payable \$4,500 in July 2018 and \$4,500 in July 2019. The balance due at June 30, 2018 is \$63,000.

#### **Other Post Employment Benefit Obligations ("OPEB")**

In addition to providing pension benefits, the School District provides certain health care benefits for retired employees through a single employer defined benefit OPEB 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 as noted below. 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", so the net OPEB liability is equal to the total OPEB liability. Separate financial statements are not issued for the plan.

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	97
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>213</u>
	<u>310</u>

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

Notes to Financial Statements (Continued)  
June 30, 2018

## **Note 3 - Detailed Notes on All Funds (Continued)**

The School District's total OPEB liability of \$63,174,663 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2016.

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2%
Real wage growth	1.0%
Wage inflation	3.2%
Salary increases	10.47% - 3.2%, including inflation
Discount rate	3.87%
Healthcare cost trend rates	5.5% for 2018 decreasing to an ultimate rate of 3.84% by 2078
Retirees' share of benefit-related costs	Varies from 0% to 50%, depending on applicable retirement year and bargaining unit

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The School District's change in the total OPEB liability for the year ended June 30, 2018 is as follows:

Total OPEB Liability - Beginning of Year	\$ 63,154,240
Service cost	2,317,944
Interest	2,236,290
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(3,157,712)
Benefit payments	(1,376,099)
Total OPEB Liability - End of Year	<u>\$ 63,174,663</u>

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Assumption (3.87%)	1% Increase (4.87%)
Total OPEB Liability	<u>\$ 76,645,279</u>	<u>\$ 63,174,663</u>	<u>\$ 54,162,370</u>

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

Notes to Financial Statements (Continued)

June 30, 2018

**Note 3 - Detailed Notes on All Funds (Continued)**

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.5% decreasing to 2.84%) or 1 percentage point higher (6.5% decreasing to 4.84%) than the current healthcare cost trend rates:

	1% Decrease (4.50% decreasing to 2.84%)	Healthcare Cost Trend Rates (5.50% decreasing to 3.84%)	1% Increase (6.50% decreasing to 4.84%)
Total OPEB Liability	\$ 53,404,519	\$ 63,174,663	\$ 77,845,210

For the year ended June 30, 2018, the School District recognized OPEB expense of \$4,228,598 in the district-wide financial statements. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ -	\$ (2,832,076)
Differences between expected and actual experience	-	-
	\$ -	\$ (2,832,076)

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

Year Ended June 30,	
2019	\$ (325,636)
2020	(325,636)
2021	(325,636)
2022	(325,636)
2023	(325,636)
Thereafter	(1,203,896)



**Note 3 - Detailed Notes on All Funds (Continued)****F. 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 In</u>
<u>Transfers Out</u>	<u>Special Aid Fund</u>
General Fund	<u>\$ 29,438</u>

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

**G. 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 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, 2018

## Note 3 - Detailed Notes on All Funds (Continued)

### H. Fund Balances

	2018				2017			
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Nonspendable:								
Inventories	\$ -	\$ -	\$ 2,950	\$ 2,950	\$ -	\$ -	\$ 5,421	\$ 5,421
Prepaid expenditures	430,995	-	-	430,995	398,661	-	-	398,661
Permanent Fund	-	-	1,000	1,000	-	-	2,920	2,920
Total Nonspendable	430,995	-	3,950	434,945	398,661	-	8,341	407,002
Restricted:								
Tax certiorari	368,161	-	-	368,161	488,535	-	-	488,535
Employee benefit accrued liability	376,413	-	-	376,413	325,475	-	-	325,475
Retirement contributions	225,535	-	-	225,535	275,535	-	-	275,535
Debt service	-	-	364,298	364,298	-	-	343,553	343,553
Capital projects	-	-	-	-	-	96,772	-	96,772
Special purposes	-	-	94,254	94,254	-	-	84,045	84,045
Permanent fund	-	-	1,854	1,854	-	-	-	-
Total Restricted	970,109	-	460,406	1,430,515	1,089,545	96,772	427,598	1,613,915
Assigned:								
Purchases on order:								
General government support	13,164	-	-	13,164	24,355	-	-	24,355
Instruction	47,207	-	-	47,207	52,945	-	-	52,945
	60,371	-	-	60,371	77,300	-	-	77,300
For subsequent year's expenditures -								
General Fund	1,567,746	-	-	1,567,746	1,568,841	-	-	1,568,841
School Lunch Fund	-	-	105,383	105,383	-	-	91,806	91,806
Total Assigned	1,628,117	-	105,383	1,733,500	1,646,141	-	91,806	1,737,947
Unassigned	1,760,369	(860,622)	-	899,747	1,554,044	-	(21)	1,554,023
Total Fund Balances	\$ 4,789,590	\$ (860,622)	\$ 569,739	\$ 4,498,707	\$ 4,688,391	\$ 96,772	\$ 527,724	\$ 5,312,887

**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, 2018, the Board of Education has assigned the above amounts to be appropriated for the ensuing year's budget.

Assigned for School Lunch Fund represents the component of fund balance that reports the difference between assets and liabilities in the School Lunch Fund.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or assigned. Unassigned fund balance in the Capital Projects Fund represents the deficit balance in the District-Wide Improvements capital project.

**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.

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

**Required Supplementary Information - Schedule of Changes in the  
School District's Total OPEB Liability and Related Ratios  
Last Ten Fiscal Years (1)**

	<u>2018</u>
Total OPEB Liability:	
Service cost	\$ 2,317,944
Interest	2,236,290
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(3,157,712)
Benefit payments	<u>(1,376,099)</u>
Net Change in Total OPEB Liability	20,423
Total OPEB Liability – Beginning of Year	<u>63,154,240</u> (2)
Total OPEB Liability – End of Year	<u><u>\$ 63,174,663</u></u>
School District's covered-employee payroll	<u><u>\$ 24,482,203</u></u>
Total OPEB liability as a percentage of covered-employee payroll	<u><u>258.04%</u></u>

Notes to Schedule:

(1) Data not available prior to fiscal year 2018 implementation of Governmental Accounting Standards Board Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*.

(2) Restated for the implementation of the provisions of GASB Statement No. 75.

(3) No assets are accumulated in a trust that meets the criteria in paragraph 4 of this Statement to pay related benefits.

See independent auditors' report.

**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 (Asset)  
New York State Teachers' Retirement System  
Last Ten Fiscal Years (1)

	2018 (3)	2017 (2)	2016	2015
School District's proportion of the net pension liability (asset)	<u>0.125340%</u>	<u>0.124916%</u>	<u>0.122283%</u>	<u>0.124797%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ (952,709)</u>	<u>\$ 1,337,899</u>	<u>\$ (12,701,354)</u>	<u>\$ (13,901,646)</u>
School District's covered payroll	<u>\$ 19,788,608</u>	<u>\$ 19,509,451</u>	<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 payroll	<u>(4.81%)</u>	<u>6.86%</u>	<u>(67.85%)</u>	<u>(75.41%)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>100.66%</u>	<u>99.01%</u>	<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*.
- (2) The discount rate used to calculate the total pension liability was decreased from 8.0% to 7.5% effective with the June 30, 2016 measurement date.
- (3) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.25% effective with the June 30, 2017 measurement date.

**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)

	2018	2017	2016	2015
Contractually required contribution	\$ 1,922,292	\$ 2,319,225	\$ 2,586,952	\$ 3,281,550
Contributions in relation to the contractually required contribution	(1,922,292)	(2,319,225)	(2,586,952)	(3,281,550)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 19,615,220	\$ 19,788,608	\$ 19,509,451	\$ 18,719,625
Contributions as a percentage of covered payroll	9.80%	11.72%	13.26%	17.53%

(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)

	2018	2017	2016 (2)	2015
School District's proportion of the net pension liability	<u>0.0113619%</u>	<u>0.0108352%</u>	<u>0.0107325%</u>	<u>0.0115245%</u>
School District's proportionate share of the net pension liability	<u>\$ 366,698</u>	<u>\$ 1,018,104</u>	<u>\$ 1,722,595</u>	<u>\$ 389,326</u>
School District's covered payroll	<u>\$ 3,520,857</u>	<u>\$ 3,610,534</u>	<u>\$ 3,589,864</u>	<u>\$ 3,494,258</u>
School District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>10.42%</u>	<u>28.20%</u>	<u>47.98%</u>	<u>11.14%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>98.24%</u>	<u>94.70%</u>	<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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 515,077	\$ 521,470	\$ 575,684	\$ 581,395
Contributions in relation to the contractually required contribution	<u>(515,077)</u>	<u>(521,470)</u>	<u>(575,684)</u>	<u>(581,395)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 3,492,465</u>	<u>\$ 3,633,575</u>	<u>\$ 3,555,324</u>	<u>\$ 3,573,486</u>
Contributions as a percentage of covered payroll	<u>14.75%</u>	<u>14.35%</u>	<u>16.19%</u>	<u>16.27%</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,**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and equivalents	<u>\$ 5,806,631</u>	<u>\$ 6,512,307</u>
Receivables		
Accounts	50,121	11,800
State and Federal aid	279,446	262,656
Due from other governments	93,974	85,618
Due from other funds	<u>667,979</u>	<u>494,896</u>
	<u>1,091,520</u>	<u>854,970</u>
Prepaid expenditures	<u>430,995</u>	<u>398,661</u>
Total Assets	<u><u>\$ 7,329,146</u></u>	<u><u>\$ 7,765,938</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 123,869	\$ 236,352
Accrued liabilities	47,306	73,422
Unearned revenues	126,603	63,187
Due to other funds	-	17,162
Due to other governments	44,577	58,828
Due to retirement systems	<u>2,197,201</u>	<u>2,628,596</u>
Total Liabilities	<u>2,539,556</u>	<u>3,077,547</u>
Fund balance		
Nonspendable	430,995	398,661
Restricted	970,109	1,089,545
Assigned	1,628,117	1,646,141
Unassigned	<u>1,760,369</u>	<u>1,554,044</u>
Total Fund Balance	<u>4,789,590</u>	<u>4,688,391</u>
Total Liabilities and Fund Balance	<u><u>\$ 7,329,146</u></u>	<u><u>\$ 7,765,938</u></u>

See independent auditors' report.

**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,**

	2018				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
<b>REVENUES</b>					
Real property taxes	\$ 35,757,802	\$ 35,757,802	\$ 35,757,802	\$	\$ -
Other tax items	2,117,845	2,117,845	2,117,845		-
Non-property taxes	335,000	335,000	364,131		29,131
Charges for services	785,000	785,000	740,337		(44,663)
Use of money and property	240,000	240,000	423,458		183,458
Sale of property and compensation for loss	-	-	2,455		2,455
State aid	2,993,179	2,993,179	2,991,477		(1,702)
Miscellaneous	117,400	117,400	87,381		(30,019)
<b>Total Revenues</b>	<b>42,346,226</b>	<b>42,346,226</b>	<b>42,484,886</b>		<b>138,660</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
<b>General support</b>					
Board of education	46,112	51,802	44,665	745	6,392
Central administration	392,825	384,635	366,201	-	18,434
Finance	398,541	420,921	405,571	1,280	14,070
Staff	217,364	258,845	225,660	-	33,185
Central services	2,120,144	2,121,122	1,889,236	11,139	220,747
Special items	470,766	5,352,137	5,343,442	-	8,695
<b>Total General Support</b>	<b>3,645,752</b>	<b>8,589,462</b>	<b>8,274,775</b>	<b>13,164</b>	<b>301,523</b>
<b>Instruction</b>					
Instruction, administration and improvement	2,363,647	2,510,144	2,390,848	3,056	116,240
Teaching - Regular school	14,838,251	14,606,767	14,164,840	-	441,927
Programs for students with disabilities	5,854,892	5,820,228	5,667,723	35,162	117,343
Instructional media	1,274,305	1,265,825	1,215,697	-	50,128
Pupil services	2,482,134	2,482,943	2,235,939	8,989	238,015
<b>Total Instruction</b>	<b>26,813,229</b>	<b>26,685,907</b>	<b>25,675,047</b>	<b>47,207</b>	<b>963,653</b>
Pupil transportation	1,333,102	1,344,681	1,304,126	-	40,555
Community services	1,000	1,000	-	-	1,000
Employee benefits	9,750,520	9,812,075	9,443,723	-	368,352
<b>Debt service</b>					
Principal	1,802,050	1,802,050	1,802,050	-	-
Interest	606,882	606,882	606,882	-	-
<b>Total Expenditures</b>	<b>43,952,535</b>	<b>48,842,057</b>	<b>47,106,603</b>	<b>60,371</b>	<b>1,675,083</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(1,606,309)</b>	<b>(6,495,831)</b>	<b>(4,621,717)</b>	<b>(60,371)</b>	<b>1,813,743</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds issued	-	4,752,354	4,752,354	-	-
Transfers out	(39,832)	(39,832)	(29,438)	-	10,394
<b>Total Other Financing Sources (Uses)</b>	<b>(39,832)</b>	<b>4,712,522</b>	<b>4,722,916</b>	<b>-</b>	<b>10,394</b>
<b>Net Change in Fund Balance</b>	<b>(1,646,141)</b>	<b>(1,783,309)</b>	<b>101,199</b>	<b>\$ (60,371)</b>	<b>\$ 1,824,137</b>
<b>FUND BALANCE</b>					
Beginning of Year	1,646,141	1,783,309	4,688,391		
End of Year	\$ -	\$ -	\$ 4,789,590		

See independent auditors' report.



2017

Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
\$ 34,935,536	\$ 34,935,536	\$ 34,936,024	\$	\$ 488
2,450,634	2,450,634	2,450,634		-
335,000	335,000	340,834		5,834
775,000	775,000	744,197		(30,803)
110,000	110,000	198,926		88,926
-	-	16,671		16,671
2,956,533	2,956,533	2,945,551		(10,982)
114,000	114,000	190,806		76,806
41,676,703	41,676,703	41,823,643		146,940
41,350	41,350	30,344	1,612	9,394
418,975	368,572	353,204	-	15,368
411,273	380,292	365,608	-	14,684
207,114	370,230	344,705	-	25,525
2,232,609	2,223,435	1,900,506	22,743	300,186
446,659	454,629	450,311	-	4,318
3,757,980	3,838,508	3,444,678	24,355	369,475
2,258,576	2,296,368	2,189,029	-	107,339
14,575,603	14,590,417	14,449,162	897	140,358
5,710,236	5,693,454	5,483,274	35,433	174,747
1,198,088	1,195,576	1,155,629	384	39,563
2,434,584	2,473,727	2,269,455	16,231	188,041
26,177,087	26,249,542	25,546,549	52,945	650,048
1,247,846	1,274,146	1,224,651	-	49,495
1,000	1,000	-	-	1,000
9,643,311	9,498,773	9,326,756	-	172,017
1,782,999	1,782,999	1,782,999	-	-
671,807	671,807	671,807	-	-
43,282,030	43,316,775	41,997,440	77,300	1,242,035
(1,605,327)	(1,640,072)	(173,797)	(77,300)	1,388,975
(36,700)	(45,874)	(34,904)	-	10,970
(36,700)	(45,874)	(34,904)	-	10,970
(1,642,027)	(1,685,946)	(208,701)	\$ (77,300)	\$ 1,399,945
1,642,027	1,685,946	4,897,092		
\$ -	\$ -	\$ 4,688,391		

Blind Brook - Rye Union Free School District, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REAL PROPERTY TAXES</b>	<u>\$ 35,757,802</u>	<u>\$ 35,757,802</u>	<u>\$ 35,757,802</u>	<u>\$ -</u>
<b>OTHER TAX ITEMS</b>				
School tax relief reimbursement	<u>2,117,845</u>	<u>2,117,845</u>	<u>2,117,845</u>	<u>-</u>
<b>NON-PROPERTY TAXES</b>				
Non-property tax distribution from County	<u>335,000</u>	<u>335,000</u>	<u>364,131</u>	<u>29,131</u>
<b>CHARGES FOR SERVICES</b>				
Day school tuition	<u>425,000</u>	<u>425,000</u>	<u>438,591</u>	<u>13,591</u>
Other services for other districts and other governments	<u>325,000</u>	<u>325,000</u>	<u>291,490</u>	<u>(33,510)</u>
Transportation for other districts	<u>35,000</u>	<u>35,000</u>	<u>10,256</u>	<u>(24,744)</u>
	<u>785,000</u>	<u>785,000</u>	<u>740,337</u>	<u>(44,663)</u>
<b>USE OF MONEY AND PROPERTY</b>				
Earnings on investments	<u>45,000</u>	<u>45,000</u>	<u>178,438</u>	<u>133,438</u>
Rental of real property	<u>195,000</u>	<u>195,000</u>	<u>245,020</u>	<u>50,020</u>
	<u>240,000</u>	<u>240,000</u>	<u>423,458</u>	<u>183,458</u>
<b>SALE OF PROPERTY AND COMPENSATION FOR LOSS</b>				
Insurance recoveries	<u>-</u>	<u>-</u>	<u>2,412</u>	<u>2,412</u>
Other	<u>-</u>	<u>-</u>	<u>43</u>	<u>43</u>
	<u>-</u>	<u>-</u>	<u>2,455</u>	<u>2,455</u>

**STATE AID**

Basic formula	2,695,521	2,695,521	2,546,463	(149,058)
Lottery	-	-	161,725	161,725
BOCES	175,361	175,361	180,364	5,003
Textbooks	122,297	122,297	67,168	(55,129)
Computer software	-	-	26,432	26,432
Library materials	-	-	9,325	9,325
	<u>2,993,179</u>	<u>2,993,179</u>	<u>2,991,477</u>	<u>(1,702)</u>

**MISCELLANEOUS**

Refund of prior year's expenditures	56,900	56,900	54,968	(1,932)
Other	60,500	60,500	32,413	(28,087)
	<u>117,400</u>	<u>117,400</u>	<u>87,381</u>	<u>(30,019)</u>

**TOTAL REVENUES**

42,346,226	42,346,226	42,484,886	138,660
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**OTHER FINANCING SOURCES**

Bonds issued	-	4,752,354	4,752,354	-
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**TOTAL REVENUES AND  
OTHER FINANCING SOURCES**

<u>\$ 42,346,226</u>	<u>\$ 47,098,580</u>	<u>\$ 47,237,240</u>	<u>\$ 138,660</u>
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See independent auditors' report.

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, 2018

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
<b>GENERAL SUPPORT</b>					
<b>BOARD OF EDUCATION</b>					
Board of education	\$ 22,412	\$ 22,412	\$ 17,366	\$ 745	\$ 4,301
District clerk	5,200	7,700	6,280	-	1,420
District meeting	18,500	21,690	21,019	-	671
Total Board of Education	46,112	51,802	44,665	745	6,392
<b>CENTRAL ADMINISTRATION</b>					
Chief school administrator	392,825	384,635	366,201	-	18,434
<b>FINANCE</b>					
Business administration	244,791	269,671	262,176	1,280	6,215
Auditing	34,750	34,750	32,500	-	2,250
Treasurer	115,000	112,500	106,945	-	5,555
Purchasing	4,000	4,000	3,950	-	50
Total Finance	398,541	420,921	405,571	1,280	14,070
<b>STAFF</b>					
Legal	135,000	178,981	178,981	-	-
Personnel	34,500	32,000	4,566	-	27,434
Public information and services	47,864	47,864	42,113	-	5,751
Total Staff	217,364	258,845	225,660	-	33,185



**CENTRAL SERVICES**

Operation and maintenance of plant	2,100,144	2,101,122	1,874,553	11,139	215,430
Central printing and mailing	20,000	20,000	14,683	-	5,317
Total Central Services	2,120,144	2,121,122	1,889,236	11,139	220,747
<b>SPECIAL ITEMS</b>					
Unallocated insurance	193,478	193,478	189,242	-	4,236
Assessments on school property	33,627	33,627	30,190	-	3,437
Refund of real property taxes	-	4,862,621	4,861,599	-	1,022
Administrative charge - BOCES	188,661	188,661	188,661	-	-
Other	55,000	73,750	73,750	-	-
Total Special Items	470,766	5,352,137	5,343,442	-	8,695
Total General Support	3,645,752	8,589,462	8,274,775	13,164	301,523

**INSTRUCTION****INSTRUCTION, ADMINISTRATION  
AND IMPROVEMENT**

Curriculum development and supervision	141,466	235,937	227,292	221	8,424
Supervision - Regular school	2,112,231	2,164,257	2,108,105	1,593	54,559
In-service training - Instruction	109,950	109,950	55,451	1,242	53,257
Total Instruction, Administration and Improvement	2,363,647	2,510,144	2,390,848	3,056	116,240
<b>TEACHING - REGULAR SCHOOL</b>	14,838,251	14,606,767	14,164,840	-	441,927
<b>PROGRAMS FOR STUDENTS WITH DISABILITIES</b>	5,854,892	5,820,228	5,667,723	35,162	117,343

(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, 2018

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
<b>INSTRUCTION (Continued)</b>					
<b>INSTRUCTIONAL MEDIA</b>					
School library and audiovisual	\$ 356,712	\$ 346,712	\$ 319,707	\$ -	\$ 27,005
Computer assisted instruction	917,593	919,113	895,990	-	23,123
Total Instructional Media	1,274,305	1,265,825	1,215,697	-	50,128
<b>PUPIL SERVICES</b>					
Guidance - Regular school	939,561	939,961	916,686	-	23,275
Health and diagnostic services - Regular school	409,488	409,088	321,458	-	87,630
Psychological services - Regular school	190,762	190,426	186,610	-	3,816
Social work services - Regular school	76,522	76,858	76,858	-	-
Co-curricular activities - Regular school	255,278	256,088	231,895	-	24,193
Interscholastic athletics - Regular school	610,523	610,522	502,432	8,989	99,101
Total Pupil Services	2,482,134	2,482,943	2,235,939	8,989	238,015
Total Instruction	26,813,229	26,685,907	25,675,047	47,207	963,653
<b>PUPIL TRANSPORTATION</b>					
District transportation services	523,187	554,720	544,120	-	10,600
Contract transportation and garage building	809,915	789,961	760,006	-	29,955
Total Pupil Transportation	1,333,102	1,344,681	1,304,126	-	40,555
<b>COMMUNITY SERVICES</b>					
Civic activities	1,000	1,000	-	-	1,000

**EMPLOYEE BENEFITS**

State retirement	595,831	592,335	506,711	-	85,624
Teachers' retirement	1,986,763	1,986,763	1,929,593	-	57,170
Social security	1,821,785	1,821,785	1,749,288	-	72,497
Hospital, medical and dental insurance	4,831,004	4,786,055	4,673,002	-	113,053
Workers' compensation	148,737	149,183	149,183	-	-
Unemployment benefits	30,000	29,554	8,396	-	21,158
Union welfare benefits	336,400	336,400	317,550	-	18,850
Retirement incentive	-	110,000	110,000	-	-

**Total Employee Benefits**

9,750,520	9,812,075	9,443,723	-	368,352
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**DEBT SERVICE**

## Principal

Serial bonds	1,620,000	1,620,000	1,620,000	-	-
Energy performance contract	182,050	182,050	182,050	-	-

1,802,050	1,802,050	1,802,050	-	-
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## Interest

Serial bonds	543,650	543,650	543,650	-	-
Energy performance contract	63,232	63,232	63,232	-	-

606,882	606,882	606,882	-	-
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**Total Debt Service**

2,408,932	2,408,932	2,408,932	-	-
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**TOTAL EXPENDITURES**

43,952,535	48,842,057	47,106,603	60,371	1,675,083
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**OTHER FINANCING USES**

## Transfers out

Special Aid Fund	39,832	39,832	29,438	-	10,394
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**TOTAL EXPENDITURES AND  
OTHER FINANCING USES**

\$ 43,992,367	\$ 48,881,889	\$ 47,136,041	\$ 60,371	\$ 1,685,477
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See independent auditors' report.

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Blind Brook - Rye Union Free School District, New York

Special Aid Fund  
Comparative Balance Sheet  
June 30,

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 21,845	\$ 25,762
State and Federal aid receivable	<u>401,838</u>	<u>318,739</u>
Total Assets	<u>\$ 423,683</u>	<u>\$ 344,501</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 7,067	\$ 6,488
Unearned revenues	-	4,072
Due to other funds	<u>416,616</u>	<u>333,941</u>
Total Liabilities	<u>\$ 423,683</u>	<u>\$ 344,501</u>

See independent auditors' report.

**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,**

	2018			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
State aid	\$ 117,752	\$ 117,752	\$ 117,752	\$ -
Federal aid	524,942	524,942	486,296	(38,646)
Total Revenues	642,694	642,694	604,048	(38,646)
<b>EXPENDITURES</b>				
Current				
Instruction	682,526	682,526	633,486	49,040
Deficiency of Revenues Over Expenditures	(39,832)	(39,832)	(29,438)	10,394
<b>OTHER FINANCING SOURCES</b>				
Transfers in	39,832	39,832	29,438	(10,394)
Net Change in Fund Balance	-	-	-	-
<b>FUND BALANCE</b>				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

2017			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 92,110	\$ 92,110	\$ 103,048	\$ 10,938
538,850	538,850	456,983	(81,867)
630,960	630,960	560,031	(70,929)
667,660	667,660	585,793	81,867
(36,700)	(36,700)	(25,762)	10,938
36,700	36,700	25,762	(10,938)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

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

Capital Projects Fund  
Comparative Balance Sheet  
June 30,

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and equivalents	<u>\$ 1,646,536</u>	<u>\$ 245,813</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>		
Liabilities		
Accounts payable	\$ 154,771	\$ 7,446
Bond anticipation notes payable	2,100,000	-
Due to other funds	<u>252,387</u>	<u>141,595</u>
Total Liabilities	<u>2,507,158</u>	<u>149,041</u>
Fund balance (deficit)		
Restricted	-	96,772
Unassigned	<u>(860,622)</u>	<u>-</u>
Total Fund Balance (Deficit)	<u>(860,622)</u>	<u>96,772</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 1,646,536</u>	<u>\$ 245,813</u>

See independent auditors' report.



**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>2018</u>	<u>2017</u>
<b>REVENUES</b>		
State aid	\$ 42,725	\$ -
<b>EXPENDITURES</b>		
Capital outlay	<u>1,000,119</u>	<u>198,076</u>
Deficiency of Revenues Over Expenditures	<u>(957,394)</u>	<u>(198,076)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	9,142
Transfers out	<u>-</u>	<u>(11,517)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,375)</u>
Net Change in Fund Balance	(957,394)	(200,451)
<b>FUND BALANCE (DEFICIT)</b>		
Beginning of Year	<u>96,772</u>	<u>297,223</u>
End of Year	<u><u>\$ (860,622)</u></u>	<u><u>\$ 96,772</u></u>

See independent auditors' report.

Blind Brook - Rye Union Free School District, New York

Capital Projects Fund

Project-Length Schedule

Inception of Project Through June 30, 2018

PROJECT	Authorization	Expenditures and Transfers to Date			Unexpended Balance
		Prior Years	Current Year	Total	
Ridge Street Capital Improvements	\$ 972,376	\$ 875,604	\$ 85,599	\$ 961,203	\$ 11,173
Smart Schools Bond Act	195,800	136,927	42,725	179,652	16,148
District-wide Improvements	44,700,000	-	871,795	871,795	43,828,205
	<u>\$ 45,868,176</u>	<u>\$ 1,012,531</u>	<u>\$ 1,000,119</u>	<u>\$ 2,012,650</u>	<u>\$ 43,855,526</u>

See independent auditors' report.

Methods of Financing			Fund Balance at June 30, 2018	Bond Anticipation Notes Outstanding at June 30, 2018
State Aid	Transfers	Total		
\$ 467,871	\$ 504,505	\$ 972,376	\$ 11,173	\$ -
179,652	-	179,652	-	-
-	-	-	(871,795)	2,100,000
<u>\$ 647,523</u>	<u>\$ 504,505</u>	<u>\$ 1,152,028</u>	<u>\$ (860,622)</u>	<u>\$ 2,100,000</u>

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

Combining Balance Sheet  
 Non-Major Governmental Funds  
 June 30, 2018  
 (With Comparative Totals for 2017)

	School Lunch	Special Purpose	Debt Service
<b>ASSETS</b>			
Cash and equivalents	\$ 170,719	\$ 81,984	\$ 362,763
Receivables			
Accounts	330	12,270	1,535
State and Federal aid	1,663	-	-
Due from other funds	1,532	-	-
	3,525	-	1,535
Inventories	2,950	-	-
Total Assets	<u>\$ 177,194</u>	<u>\$ 94,254</u>	<u>\$ 364,298</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 26,690	\$ -	\$ -
Unearned revenues	41,738	-	-
Due to other funds	433	-	-
Total Liabilities	<u>68,861</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	2,950	-	-
Restricted	-	94,254	364,298
Assigned	105,383	-	-
Unassigned	-	-	-
Total Fund Balances	<u>108,333</u>	<u>94,254</u>	<u>364,298</u>
Total Liabilities and Fund Balances	<u>\$ 177,194</u>	<u>\$ 94,254</u>	<u>\$ 364,298</u>

See independent auditors' report.



	Total Non-Major Governmental Funds	
Permanent	2018	2017
<u>\$ 2,929</u>	<u>\$ 618,395</u>	<u>\$ 594,916</u>
-	14,135	65
-	1,663	1,323
-	1,532	-
-	17,330	1,388
-	2,950	5,421
<u>\$ 2,929</u>	<u>\$ 638,675</u>	<u>\$ 601,725</u>
\$ -	\$ 26,690	\$ 30,976
-	41,738	40,827
75	508	2,198
75	68,936	74,001
1,000	3,950	8,341
1,854	460,406	427,598
-	105,383	91,806
-	-	(21)
2,854	569,739	527,724
<u>\$ 2,929</u>	<u>\$ 638,675</u>	<u>\$ 601,725</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, 2018  
(With Comparative Totals for 2017)

	School Lunch	Special Purpose	Debt Service
<b>REVENUES</b>			
Use of money and property	\$ 2,013	\$ 98	\$ 20,745
State aid	3,212	-	-
Federal aid	39,406	-	-
Food sales	526,519	-	-
Miscellaneous	800	139,155	-
	<u>571,950</u>	<u>139,253</u>	<u>20,745</u>
Total Revenues			
<b>EXPENDITURES</b>			
Current			
Instruction	-	129,044	-
Cost of food sales	560,844	-	-
	<u>560,844</u>	<u>129,044</u>	<u>-</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	11,106	10,209	20,745
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	11,106	10,209	20,745
<b>FUND BALANCES</b>			
Beginning of Year	97,227	84,045	343,553
	<u>97,227</u>	<u>84,045</u>	<u>343,553</u>
End of Year	\$ 108,333	\$ 94,254	\$ 364,298
	<u>\$ 108,333</u>	<u>\$ 94,254</u>	<u>\$ 364,298</u>

See independent auditors' report.

Total Non-Major Governmental Funds		
Permanent	2018	2017
\$ 5	\$ 22,861	\$ 3,882
-	3,212	3,170
-	39,406	41,225
-	526,519	551,372
-	139,955	45,537
5	731,953	645,186
50	129,094	29,495
-	560,844	588,465
50	689,938	617,960
(45)	42,015	27,226
-	-	11,517
(45)	42,015	38,743
2,899	527,724	488,981
<u>\$ 2,854</u>	<u>\$ 569,739</u>	<u>\$ 527,724</u>

Blind Brook - Rye Union Free School District, New York

School Lunch Fund  
Comparative Balance Sheet  
June 30,

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and equivalents	<u>\$ 170,719</u>	<u>\$ 164,394</u>
Receivables		
Accounts	330	65
State and Federal aid	1,663	1,323
Due from other funds	<u>1,532</u>	<u>-</u>
	<u>3,525</u>	<u>1,388</u>
Inventories	<u>2,950</u>	<u>5,421</u>
Total Assets	<u><u>\$ 177,194</u></u>	<u><u>\$ 171,203</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 26,690	\$ 30,976
Unearned revenues	41,738	40,827
Due to other funds	<u>433</u>	<u>2,173</u>
Total Liabilities	<u>68,861</u>	<u>73,976</u>
Fund balance		
Nonspendable	2,950	5,421
Assigned	<u>105,383</u>	<u>91,806</u>
Total Fund Balance	<u>108,333</u>	<u>97,227</u>
Total Liabilities and Fund Balance	<u><u>\$ 177,194</u></u>	<u><u>\$ 171,203</u></u>

See independent auditors' report.



**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,**

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Use of money and property	\$ 2,013	\$ 633
State aid	3,212	3,170
Federal aid	39,406	41,225
Food sales	526,519	551,372
Miscellaneous	<u>800</u>	<u>97</u>
Total Revenues	571,950	596,497
<b>EXPENDITURES</b>		
Current		
Cost of food sales	<u>560,844</u>	<u>588,465</u>
Excess of Revenues Over Expenditures	11,106	8,032
<b>FUND BALANCE</b>		
Beginning of Year	<u>97,227</u>	<u>89,195</u>
End of Year	<u>\$ 108,333</u>	<u>\$ 97,227</u>

See independent auditors' report.

Blind Brook - Rye Union Free School District, New York

Special Purpose Fund  
Comparative Balance Sheet  
June 30,

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 81,984	\$ 84,045
Accounts receivable	<u>12,270</u>	<u>-</u>
Total Assets	<u>\$ 94,254</u>	<u>\$ 84,045</u>
<b>FUND BALANCE</b>		
Restricted	<u>\$ 94,254</u>	<u>\$ 84,045</u>

See independent auditors' report.

**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,

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Use of money and property	\$ 98	\$ 74
Miscellaneous	<u>139,155</u>	<u>45,440</u>
Total Revenues	139,253	45,514
<b>EXPENDITURES</b>		
Current		
Instruction	<u>129,044</u>	<u>29,395</u>
Excess of Revenues Over Expenditures	10,209	16,119
<b>FUND BALANCE</b>		
Beginning of Year	<u>84,045</u>	<u>67,926</u>
End of Year	<u>\$ 94,254</u>	<u>\$ 84,045</u>

See independent auditors' report.

Blind Brook - Rye Union Free School District, New York

Debt Service Fund  
Comparative Balance Sheet  
June 30,

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	2018	2017
<b>ASSETS</b>		
Cash and equivalents	\$ 362,763	\$ 343,553
Accounts receivable	<u>1,535</u>	<u>-</u>
Total Assets	<u><u>\$ 364,298</u></u>	<u><u>\$ 343,553</u></u>
 <b>FUND BALANCE</b>		
Restricted	<u><u>\$ 364,298</u></u>	<u><u>\$ 343,553</u></u>

See independent auditors' report.



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

**Debt Service Fund**

**Comparative Statement of Revenues, Expenditures and**

**Changes in Fund Balance**

**Years Ended June 30,**

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Use of money and property	\$ 20,745	\$ 3,174
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	20,745	3,174
<b>OTHER FINANCING SOURCES</b>		
Transfer in	<u>-</u>	<u>11,517</u>
Net Change in Fund Balance	20,745	14,691
<b>FUND BALANCE</b>		
Beginning of Year	<u>343,553</u>	<u>328,862</u>
End of Year	<u>\$ 364,298</u>	<u>\$ 343,553</u>

See independent auditors' report.

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

Permanent Fund  
Comparative Balance Sheet  
June 30,

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and equivalents	<u>\$ 2,929</u>	<u>\$ 2,924</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Due to other funds	<u>\$ 75</u>	<u>\$ 25</u>
Fund balance		
Nonspendable	1,000	2,920
Restricted	1,854	-
Unassigned	<u>-</u>	<u>(21)</u>
Total Fund Balance	<u>2,854</u>	<u>2,899</u>
Total Liabilities and Fund Balance	<u>\$ 2,929</u>	<u>\$ 2,924</u>

See independent auditors' report.

**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>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Use of money and property	\$ 5	\$ 1
<b>EXPENDITURES</b>		
Current		
Instruction	<u>50</u>	<u>100</u>
Deficiency of Revenues Over Expenditures	(45)	(99)
<b>FUND BALANCE</b>		
Beginning of Year	<u>2,899</u>	<u>2,998</u>
End of Year	<u>\$ 2,854</u>	<u>\$ 2,899</u>

See independent auditors' report.

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

General Fund

Analysis of Change from Adopted Budget to Final Budget

Year Ended June 30, 2018

Adopted Budget	\$ 43,915,067
Additions - Encumbrances	<u>77,300</u>
Original Budget	43,992,367
Budget Amendments	<u>4,889,522</u>
Final Budget	<u><u>\$ 48,881,889</u></u>

General Fund

Section 1318 of Real Property Tax Law Limit Calculation

Year Ended June 30, 2018

2018-19 Expenditure Budget	\$ 45,190,924
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted fund balance	
Assigned fund balance	1,628,117
Unassigned fund balance	<u>1,760,369</u>
Total Unrestricted Fund Balance	<u>3,388,486</u>
Less	
Appropriated for subsequent year's budget	1,567,746
Encumbrances	<u>60,371</u>
Total Adjustments	<u>1,628,117</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,760,369</u></u>
Actual Percentage	<u><u>3.90%</u></u>

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

**Schedule of Net Investment in Capital Assets**  
**Year Ended June 30, 2018**

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Capital Assets, net		\$ 33,987,195
Plus		
Unamortized portion of loss on refunding bonds	97,180	
Unexpended debt proceeds	<u>1,228,205</u>	1,325,385
Less		
Bonds payable	(10,230,000)	
Bond anticipation notes payable	(2,100,000)	
Unamortized portion of premium on bonds	(1,428,928)	
Energy performance contract payable	<u>(2,657,564)</u>	<u>(16,416,492)</u>
Net Investment in Capital Assets		<u>\$ 18,896,088</u>



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

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TO: Jonathan Ross

CC: BOE Members & Audit Committee Members

FROM: Mikaela Coni

RE: **External Auditor's Management Letter and Audit Report Year Ending June 30, 2018**

DATE: September 13, 2018

Enclosed herewith for your review is a copy of the management letter dated 9/12/18 that corresponds to the 2018 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 prepared this response memo and corrective action plan.

The auditors did not find any deficiencies with our general fund, capital fund, special aid fund, school lunch fund, debt service fund, special purpose fund and agency fund operations for the period reported on. The management letter recommends two corrective actions relative to the extraclassroom funds. The following is an outline of our planned corrective action.

<b>Control Deficiencies</b>
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### **Extraclassroom Activities**

#### *Undeposited Checks*

During the audit, we noted that there were checks for graduation and prom fees that were left in a teacher's desk drawer over the summer break and, accordingly, were both unsecured and not deposited in a timely manner.

#### **Recommendation**

We recommend that the School District implement training and procedures to ensure that teachers who are responsible for extraclassroom funds provide all checks for deposit to the Business Office prior to departing for the summer recess.

## **Management Corrective Action Plan**

Going forward, all checks received for deposit will be logged in the new Student Activities Deposit Form (attached) in which the date the check is received must be indicated. The proper training will be implemented to ensure all Student Treasurers and Faculty Advisors are made aware that all checks must be remitted to Joanne Connor, Student Activity Treasurer, within 72 hours of being received. Untimely checks will no longer be accepted and all checks must have the new deposit form attached.

### *Cash Receipts*

During the audit, we noted that several clubs received funds in the form of cash payments. However, the extraclassroom activity advisors do not maintain a listing of cash receipts for each club by payer.

### **Recommendation**

We recommend that the extraclassroom activity club advisors retain a list of all receipts in the form of cash by payer. While this will not ensure that all cash received has been deposited, it would provide an extra layer of internal control over the safeguarding of such funds.

## **Management Corrective Action Plan**

Going forward, all cash received for deposit will be logged in the new Student Activities Deposit Form (attached) in which the date the cash is received, amount and payee must be indicated. The proper training will be implemented to ensure all Student Treasurers and Faculty Advisors are made aware of the new procedures and how they contribute to the safeguarding of funds.

<b>On the Horizon</b>
-----------------------

In the “On the Horizon” section, the auditors review GASB Statements No. 84 & No. 87. GASB Statement No. 84 establishes criteria to improve guidance for accounting and financial reporting of fiduciary activities and provide clarity on when a government has a fiduciary responsibility for a particular activity. The provisions of this statement are effective for fiscal years beginning after December 15, 2018. GASB Statement No. 87 establishes criteria on leases. Under this new provision nearly every lease will be considered a capital lease of which school districts will most likely be considered “lessees”. As such, school districts will be required to recognize a lease liability on the entity-wide statement of Net Position. This statement becomes effective for fiscal years beginning after December 15, 2019. Both statements 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 6/30/18 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 is scheduled on 9/17/18 to discuss the report with Scott Oling, Partner at PKFOD. Scott is scheduled to attend the September 24th 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 UFSD

## Student Activities Fund Deposit Form

**Name of Organization/Club**

## Student Treasurer

### Faculty Advisor

**Receipt #****Account Code:**

Taxable

Y	N
(Circle One)	

[illegible]

**Description of funds:**

Date:

*Signature of preparer*

Date:

*Signature of reviewer*

**BLIND BROOK - RYE UNION FREE SCHOOL  
DISTRICT, NEW YORK**

**Report to Those Charged with Governance**

**June 30, 2018**

September 12, 2018

Prepared by

Scott Oling, CPA

Partner

[soling@pkfod.com](mailto:soling@pkfod.com)



**KNOW  
GREATER  
VALUE**





September 12, 2018

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

We have audited the financial statements of the Blind Brook - Rye Union Free School District, New York as of and for the year ended June 30, 2018 and have issued our report thereon dated August 30, 2018. Professional standards require us to communicate with you regarding audit matters that are, in our professional judgment, significant and relevant to those charged with governance ("TCWG") in overseeing the financial reporting process. This communication is intended to provide you with these required communications as well as other findings and information regarding our audit.

We are pleased to be of service to you and the Blind Brook - Rye Union Free School District, New York and appreciate the opportunity to present our audit findings to you. We are also pleased to discuss other matters which may be of interest to you and to answer any questions you may have.

This information is intended solely for the information and use of TCWG and management of the Blind Brook - Rye Union Free School District, New York and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*PKF O'Connor Davies, LLP*  
**PKF O'Connor Davies, LLP**



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## Appendices

- 1 – Corrected and Uncorrected Misstatements
- 2 – Management Representation Letter
- 3 – About PKF O'Connor Davies, LLP





## Status of the Audit

### Audit of Financial Statements

- Audit fieldwork is complete.
- The financial statements have been reviewed by management and issued.
- We have issued an unmodified report on the financial statements.

## Required Communications and Other Matters

Required Item	Comments
<b>Auditor's responsibility under professional standards and planned scope and timing of the audit</b>	<p>We have communicated such information in our engagement letter to you dated February 11, 2016. Generally, these responsibilities include:</p> <ul style="list-style-type: none"> <li>• Forming and expressing an opinion on the financial statements.</li> <li>• Obtaining reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.</li> <li>• Accumulating and communicating uncorrected misstatements to Those Charged with Governance ("TCWG").</li> <li>• Maintaining professional skepticism.</li> <li>• Communicating audit related matters that are, in our professional judgment, significant to TCWG.</li> </ul>
<b>Supplementary information accompanying the financial statements</b>	<p>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.</p> <p>With respect to such supplementary information, we made certain inquiries of members 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 period 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.</p>

Required Item	Comments
<b>Other information in documents containing audited financial statements</b>	Our responsibility as auditors for other information in documents containing the audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to determine that such other information is properly stated.
<b>Our responsibilities under the Yellow Book</b>	In connection with our audit, we performed tests of the Entity's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.
<b>Responsibilities of management and TCWG</b>	<p>Management's responsibilities include:</p> <ul style="list-style-type: none"> <li>• The fair presentation of the financial statements, including the selection of appropriate accounting policies.</li> <li>• Establishing and maintaining effective internal control.</li> <li>• Complying with laws, regulations, grants and contracts.</li> <li>• Providing the auditors with all financial records and related information and a signed representation letter.</li> </ul> <p>TCWG are responsible for communicating with the auditors and overseeing the financial reporting process.</p> <p>Both management and TCWG are responsible for:</p> <ul style="list-style-type: none"> <li>• Setting the proper tone at the top.</li> <li>• Designing and implementing policies and controls to prevent and detect fraud.</li> </ul>
<b>Qualitative aspects of accounting practices - <i>Accounting Policies</i></b>	<p>The significant accounting policies are described in Note 1 to the financial statements. There have been no initial selections 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, except for the adoption of the provisions of Governmental Accounting Standards Board Statement No. 75 "<i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>" as disclosed in the notes to financial statements.</p> <p>The accounting policies of the Entity conform to U.S. generally accepted accounting principles as applicable to state and local governments. The Entity's reports are based on all applicable GASB pronouncements.</p>

Required Item	Comments
<b>Qualitative aspects of accounting practices – Significant Unusual Transactions</b>	<p>No matters have come to our attention that would require us to inform you about the methods used to account for significant unusual transactions.</p>
<b>Qualitative aspects of accounting practices - Accounting Estimates and Management's Judgment</b>	<p>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.</p> <p>Certain accounting estimates are particularly sensitive because of their significance to financial statements and their susceptibility to change. The most sensitive estimates affecting the financial statements are:</p> <ul style="list-style-type: none"> <li>• Actuarial assumptions related to the Other Post Employment Benefit Obligations ("OPEB")</li> <li>• Actuarial assumptions and proportionate share calculations related to pension obligations</li> <li>• Asset lives for depreciable capital assets</li> <li>• Estimates of certain receivable balances and allowances for uncollectible amounts</li> <li>• Estimates for certain operating and long-term liabilities</li> </ul> <p>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.</p>
<b>Qualitative aspects of accounting practices - Financial Statement Disclosures</b>	<p>Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements are:</p> <ul style="list-style-type: none"> <li>• Other post employment benefit obligations payable</li> <li>• Pension plan information</li> <li>• Outstanding bonded indebtedness</li> <li>• Fund balances</li> </ul> <p>The financial statement disclosures are consistent and clear.</p>

Required Item	Comments
<b>Difficulties encountered in performing the audit</b>	We encountered no significant difficulties in dealing with management relating to the performance of our audit.
<b>Corrected and uncorrected misstatements</b>	<p>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. Uncorrected misstatements are included in Appendix 1. Management has determined their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.</p> <p>In addition, corrected misstatements that were brought to the attention of management as a result of our audit procedures are also included in Appendix 1.</p>
<b>Disagreements with management</b>	For purposes of this communication, 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.
<b>Management representations</b>	We have requested certain representations from management that are included in the management representation letter (see Appendix 2).
<b>Management's consultations with other accountants</b>	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 such consultations with other accountants.
<b>Auditor independence</b>	We affirm that PKF O'Connor Davies, LLP is independent with respect to the Entity in accordance with relevant professional standards.
<b>Significant issues discussed with management prior to retention</b>	We generally discuss with management a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Entity and business 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.



## Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Blind Brook - Rye Union Free School District, New York's (the "Entity") 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 Entity's internal control. Accordingly, we express no such opinion.

Professional standards require that we communicate to you, in writing, all significant deficiencies and/or material weaknesses in internal control that we identify in performing our audit. For this purpose, deficiencies in internal control are categorized as follows:

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

This communication is intended solely for the information and use of management and others charged with governance and is 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*  
Harrison, New York  
September 12, 2018

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

**Control Deficiencies**

- **Extraclassroom Activities**

*Undeposited Checks*

During the audit, we noted that there were checks for graduation and prom fees that were left in a teacher's desk drawer over the summer break and, accordingly, were both unsecured and not deposited in a timely manner.

***Recommendation***

We recommend that the School District implement training and procedures to ensure that teachers who are responsible for extraclassroom funds provide all checks for deposit to the Business Office prior to departing for the summer recess.

*Cash Receipts*

During the audit, we noted that several clubs received funds in the form of cash payments. However, the extraclassroom activity advisors do not maintain a listing of cash receipts for each club by payer.

***Recommendation***

We recommend that the extraclassroom activity club advisors retain a list of all receipts in the form of cash by payer. While this will not ensure that all cash received has been deposited, it would provide an extra layer of internal control over the safeguarding of such funds.

## On the Horizon

### GASB Statement No. 84 – *Fiduciary Activities*

In January 2017, GASB issued Statement No. 84 “*Fiduciary Activities*”. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Previously issued guidance lacked the necessary clarity to determine when a government had fiduciary responsibility for a certain activity. This lack of clarity has resulted in a divergence in practice among financial statement preparers and auditors.

GASB Statement No. 84 establishes criteria for identifying fiduciary activities. The focus of the criteria is on (a) whether a government *controls* the assets of the fiduciary activity and (b) the *beneficiaries* with whom a fiduciary relationship exists. A government is considered in control of the assets if the government holds the assets or has the ability to direct the use of the assets in a manner that provides benefits to the specified or intended recipients. The assets also cannot be derived from the government’s own source revenues (or from government-mandated or voluntary non-exchange transactions) and must also have one or more of the following characteristics related to whom the assets will benefit:

- 1) Be administered through a trust
- 2) The government itself is not the beneficiary
- 3) Dedicated to providing benefits in accordance with the benefit terms
- 4) Legally protected from the government’s creditors for the benefit of individuals and the government has no administrative or direct financial involvement with the asset
- 5) For the benefit of individuals and government has no administrative or direct financial involvement with the assets

An activity meeting the above criteria should be reported in the basic financial statements in one of the following four fiduciary funds, as applicable:

- 1) Pension (and other employee benefit) trust funds
- 2) Investment trust funds
- 3) Private-purpose trust funds
- 4) Custodial funds

Custodial funds should report fiduciary activities that are not reported in one of the first three fiduciary funds noted above. The use of **Agency funds has been eliminated with this Statement and replaced with custodial funds.**

Governments with activities meeting the above criteria will present a Statement of Fiduciary Net Position (i.e., assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) and a Statement of Changes in Fiduciary Net Position (i.e., additions and deductions) for each fiduciary fund type. Previous guidance for agency funds only required the presentation of assets and liabilities, whereas the custodial funds require the same elements as the other fiduciary funds, including net position.

**The provisions of this Statement are effective for fiscal years beginning after December 15, 2018 (i.e., the School District’s financial statements for the year ended June 30, 2020) with earlier application encouraged.**

## **GASB Statement No. 87 – Leases**

Potentially pervasive changes are coming to lease accounting. Under the provisions of GASB Statement No. 87, nearly every lease will be considered a capital lease. While local governments and school districts would most likely be lessees in these kinds of transactions, some might also be involved in transactions where they are the lessor of these assets.

Under this standard, lessees will now be required to recognize in their entity-wide Statement of Net Position a lease liability and an intangible right-to-use lease asset when the lease begins. The intangible asset will be similar to other capital assets by requiring amortization over the life of the lease term, similar to depreciation of tangible capital assets. Also similar to other capital assets, leases will need to be assessed for impairment.

Lessors will do the opposite. Lessors will recognize a lease receivable and a deferred inflow of resources at the start of a lease. The receivable will be reduced and revenue recognized as lease payments are received each year. The lessor will continue to report the capital asset on its own Statement of Net Position.

Governments should review this standard early to anticipate what changes might need to be made to policies, accounting procedures, laws and regulations. The provisions of this Statement are **effective for fiscal years beginning after December 15, 2019 (i.e., the School District's financial statements for the year ended June 30, 2021) with earlier application encouraged.**

## **Uniform Guidance Procurement Standards – OMB Extends Procurement Grace Period for One More Year**

The Office of Management and Budget (OMB) has updated guidance for the procurement grace period available to non-Federal entities under Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

The update, as included in the Federal Register, allows for an additional one-year grace period for implementation of the procurement standards set forth in the Uniform Guidance (2 CFR 200.317 through 200.326). Including the grace period, the implementation date for the revised procurement standards will be effective for fiscal years beginning on or after December 26, 2017 (**i.e. the School District's financial statements for the year ended June 30, 2019**). A non-Federal entity that chooses to take advantage of this grace period must document its choice in its internal records, noting whether it is in compliance with the previous or revised procurement standards.

The new procurement standards apply to procurement of goods and services directly charged to a Federal award. The standards do not apply to indirect costs and procurement of goods and services not charged to a Federal award. The standards have a strong emphasis on procurement methodology to achieve the goals of increased accountability and competition. The changes are designed to better mitigate waste, fraud and abuse.

**General Requirements of the New Guidance** - The following are the general requirements:

- Non-Federal entities (such as not-for-profit entities and local governments) receiving Federal awards must have their own documented (written) procurement procedures that conform to reflect Federal law, Uniform Guidance standards, and any State laws and regulations.
- Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms of their contracts or purchase orders.
- Non-Federal entities must maintain written conflict-of-interest policies if its employees engage in the selection, award and administration of contracts. No employee, officer or agent may participate in the selection, award, or administration of a contract funded by a Federal award if he or she has an actual or apparent conflict of interest. This also applies to organizational conflicts of interest if the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.
- Non-Federal entities should focus on greater economy and efficiency to promote cost-effective use of services during the procurement process, and must avoid using Federal funds for the acquisition of unnecessary and duplicative items.
- Non-Federal entities must document and maintain records sufficient to detail the history of the procurement steps and activities required to be completed. This includes the rationale for the type of procurement, selection of contract type, and the basis for the contractor selection and price.

**Five Methods of Procurement** - The Uniform Guidance outlines five methods of procurement:

- **Micro-Purchases:** Purchases that individually do not exceed \$10,000. To the extent practicable, micro-purchases must be distributed equitably among qualified suppliers. No bid or quote process is required.
- **Small Purchases:** Used for purchases up to the Simplified Acquisition threshold, which is currently \$250,000. These include small and informal purchase methods for securing services, supplies, or other property. Price or rate quotes must be obtained from an adequate number of qualified sources.
- **Sealed Bids:** Purchases over \$250,000. Bids are publically solicited and a fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all material terms and conditions of the invitation for bids, is the lowest in price. This method is most commonly used for procurement of construction contracts.
- **Competitive Proposals:** Purchases over \$250,000. This method requires formal solicitation from an adequate number of qualified sources, fixed-price or cost-reimbursement contracts, and is used when sealed bids are not appropriate. Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.
- **Noncompetitive Proposals:** These proposals only apply under unique circumstances. Examples include when an item is available only from one source, when a public emergency does not allow time for a competitive proposal process, when the Federal awarding agency authorizes, or when the competition is deemed inadequate after proper solicitation.



## **Changes to *Government Auditing Standards***

The U.S. Government Accountability Office, in July 2018, issued its 2018 revision to *Government Auditing Standards* (i.e. “Yellow Book”). These changes will be the first changes since 2011 and are designed to ensure the standards continue to meet the needs of the federal, state and local government communities and the public these bodies serve. The following significant new audit requirement was added to the 2018 revision:

As part of an audit under *Government Auditing Standards*, if auditors become aware of waste or abuse that could be quantitatively or qualitatively material to the financial statements, auditors should perform additional audit procedures to ascertain the potential effect on the financial statements.

Included in the application guidance are these definitions:

**Waste** is the act of using or expending resources carelessly, extravagantly, or to no purpose. Waste involves the taxpayers not receiving reasonable value for money in connection with any government-funded activities because of an inappropriate act or omission by parties with control over or access to government resources. Importantly, waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

**Abuse** is behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Because the determination of abuse is subjective, auditors are not required to perform procedures to detect abuse in financial audits. Auditors may discover that abuse is indicative of fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements.

**The 2018 revision of *Government Auditing Standards* is effective for financial audits for periods ending on or after June 30, 2020. Early implementation is not permitted.**

## **New Rules for Auditor Involvement in Exempt Offering Documents**

In July 2017, the Auditing Standards Board released Statement on Auditing Standards No. 133 *Auditor Involvement With Exempt Offering Documents*. This addresses the auditor’s responsibilities when the auditors’ report on the financial statements is included, or incorporated by reference, in an exempt offering document such as for municipal bond offerings AND the auditor is considered “involved” in the exempt offering document.

An auditor is considered involved in an exempt offering document if the auditor:

1. assists the entity in preparing information (in addition to the financial statements) that will be included in the document,
2. reads a draft of the exempt offering document at the entity’s request,
3. auditor issues a comfort or similar letter or an agreed-upon procedures report on information included in the exempt offering document,

4. participates in due diligence discussions with underwriters, placement agents, broker-dealers, or other financial intermediaries in connections with the exempt offering,
5. issues any attestation report on information relating to the exempt offering,
6. provides written agreement for the use of an auditors' report in the exempt offering,
7. updates an auditors' report for inclusion in the exempt offering document

When the auditor is considered involved, the auditor is required to do additional procedures outside the scope of the audit. These steps include reading the offering document in order to identify material inconsistencies with the audited financial statements. The auditor must also perform procedures to review events subsequent to the issuance of the audit report and up to the issuance of the exempt offering document. Finally, the auditor must obtain written representations from management.

This should be done before the offering document is released.

**The provisions of this standard are effective for exempt offering documents initially distributed , circulated or submitted on or after June 15, 2018.**

## Appendix 1

### Corrected and Uncorrected Misstatements

Account	Description	Debit	Credit
<b>CAPITAL FUND</b>			
<b>Adjusting Journal Entries</b>			
<b>Adjusting Journal Entries JE # 1</b>			
To correct recording of BAN			
H 5730	BAN Proceeds	2,100,000.00	
H626	BAN Payable		2,100,000.00
<b>Total</b>		<b><u>2,100,000.00</u></b>	<b><u>2,100,000.00</u></b>

The following entry was proposed but Management has determined the effect would be immaterial to the financial statements taken as a whole and has passed on the entry.

#### **SPECIAL AID FUND**

<b>Proposed Journal Entries JE # 2</b>			
Passed entry on deferring 15/16 summer			
F 3289	School Age July/Aug Section 4408	13,180.00	
F691A	DEFERRED REVENUE- GRANT		13,180.00
<b>Total</b>		<b><u>13,180.00</u></b>	<b><u>13,180.00</u></b>



## Appendix 2

### Management Representation Letter





# **BLIND BROOK-RYE UNION FREE SCHOOL DISTRICT**

390 NORTH RIDGE STREET  
RYE BROOK, NEW YORK 10573-1105  
jross@blindbrook.org  
P:(914) 937-3600  
F:(914) 937-7570

**JONATHAN ROSS, Ed.D**  
SUPERINTENDENT

August 30, 2018

PKF O'Connor Davies, LLP  
500 Mamaroneck Avenue Suite 301  
Harrison, New York 10528

This representation letter is provided in connection with your audit of the financial statements of the Blind Brook-Rye Union Free School District, New York ("School District"), which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2018, and the respective changes in financial position the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

This representation letter is also provided in connection with your audit of the financial statements of the Extraclassroom Activity Funds of the School District, which comprise the statement of cash receipts, cash disbursements and cash balances as of June 30, 2018 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with the basis of accounting prescribed by the New York State Department of Education.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, (having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves) as of the date of this letter, the following representations made to you during your audit.

## **Our Responsibilities**

- 1) We acknowledge that we have fulfilled our responsibilities for:
  - a) The preparation and fair presentation of the financial statements in accordance with US GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

- b) The preparation and fair presentation of the financial statements of the School District's Extraclassroom Activity Funds in conformity with the accounting principles prescribed by the New York State Department of Education, which is a comprehensive basis of accounting other than US GAAP.
  - c) 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; and
  - d) The design, implementation, and maintenance of internal control to prevent and detect fraud.
- 2) We understand that the term "fraud" refers to intentional acts by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements. Two types of intentional misstatements are relevant to your audit – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Fraudulent financial reporting involves intentional misstatements, including omissions of amounts or disclosures in financial statements to deceive financial statement users. Misappropriation of assets involves the theft of an entity's assets.
- 3) We acknowledge our responsibility for presenting the combining and individual fund financial statements and schedules in accordance with US GAAP, and we believe the combining and individual fund financial statements and schedules, including its form and content, is fairly presented in accordance with US GAAP. The methods of measurement and presentation of the combining and individual fund financial statements and schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

## **Financial Statements**

- 4) The financial statements referred to above are fairly presented in conformity with US GAAP and include all disclosures necessary for such fair presentation. In that connection, we specifically confirm that:
- a) The School District's accounting policies, and the practices and methods followed in applying them, are appropriate and are as disclosed in the financial statements.
  - b) There have been no changes during the period audited in the School District's accounting policies and practices.
  - c) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) The following, where they exist, have been appropriately disclosed to you and accounted for and/or disclosed in the financial statements in accordance with the requirements of US GAAP:
- a) The identity of all related parties and related party relationships and transactions including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b) Guarantees, whether written or oral, under which the School District is contingently liable, if any.
  - c) The effects of all known actual, possible, pending or threatened litigation, claims, and assessments.
  - d) The identity of the School District's related parties and all the related party relationships and transactions of which we are aware.
- 7) We have evaluated events subsequent to the date of the financial statements through the date of this letter, and no such events have occurred which would require adjustment or disclosure in the

financial statements. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the School District's accounts.

#### **Information Provided**

- 9) We have provided you with:
- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, if applicable.
  - c) Additional information that you have requested from us for the purpose of the audit.
  - d) Unrestricted access to persons within the School District from whom you determined it necessary to obtain audit evidence.
  - e) Completeness and availability of all minutes of the meetings of the Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 10) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 11) There are no deficiencies in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the School District's ability to initiate, authorize, record, process, and report financial data reliably in accordance with US GAAP.
- 12) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
- a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 13) We have no knowledge of any allegations of fraud or suspected fraud affecting the School District's financial statements communicated by employees, former employees, regulators, or others.
- 14) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

#### **Government—specific**

- 15) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 16) The School District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 17) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 18) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have

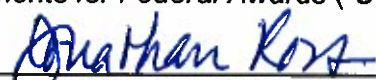
a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

- 19) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 20) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 21) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 22) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably with senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes. We also understand that as part of your audit, you prepared various adjusting journal entries, both on the fund and entity-wide level, and acknowledge that we have reviewed and approved those entries and accepted responsibility for them.
- 23) The School District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 24) The School District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 25) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 26) There are no component units or joint ventures with an equity interest or any other related organizations.
- 27) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
- 28) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 29) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 30) Investments and land are properly valued.



- 31) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
- 32) Provisions for uncollectible receivables have been properly identified and recorded.
- 33) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 34) We agree with the findings of specialists in evaluating the other postemployment benefit obligation and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialist with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialist.
- 35) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) There were no special or extraordinary items that occurred during the fiscal year.
- 39) Deposits and investment securities are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.
- 42) We have appropriately disclosed the School District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 45) There were no taxes abated during the School District's fiscal year.

46) Expenditures of federal awards were below the \$750,000 threshold for the year ended June 30, 2018, and we were not required to have an audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance").

Signature:   
Jonathan Ross

Signature:   
Mikaela Coni

Title: Superintendent of Schools

Title: Supervisor, Business Services & Treasurer

## Appendix 3

### About PKF O'Connor Davies, LLP



## FIRM OVERVIEW

Founded in 1891, PKF O'Connor Davies has evolved from an accounting firm to a corps of high-caliber professionals that delivers to a global and growing client base a complete range of audit, tax and advisory services as well as insights and expertise at the highest level. As our business has grown, our commitment to active value creation has allowed us to connect our clients to sound business advice, key players and resources across diverse industries.

### An Acknowledged Global Leader

Not only are we one of the nation's most rapidly growing accounting and advisory firms, we are also the lead North American firm in the growing PKF global network of independent accounting and advisory firms. This enables us to provide clients with preferred access to top-tier experts and firms in over 400 locations, in 150 countries around the world. It also establishes us as the primary referral point for international businesses with needs in North America, an advantage for our domestic clients seeking connections outside the U.S.

### Active Partner Involvement Dedicated Engagement Teams

We have built strong relationships with our clients by being proactive, thorough and efficient. Firm partners are involved in the day-to-day management of engagements, ensuring a high degree of client service and cost effectiveness. Multi-disciplinary teams ensure solutions are customized to address specific needs and integrated for greater efficiency.

### A Higher Standard: Beyond Passive Value Calculation to Active Value Creation

Our focus on value has driven our growth, propelling PKF O'Connor Davies to the Top 29 on *Accounting Today's* 2018 "Top 100 Firms" list and gaining us acclaim as one of the country's fastest-growing firms. With unmatched client focus, we unlock genuine value hidden at key connection points in every engagement within regional, national and international arenas. Through these connections, our team of specialists continually drives efficiencies, uncovers opportunities and manages risk – delivering value where others can't.

## Industry Recognition

- **Ranked 29 of "2018's Top 100 Firms"**  
– *Accounting Today*, 2018
- **Ranked 7 of the "Top Firms in the Mid-Atlantic"**  
– *Accounting Today*, 2018
- **Ranked 11 of "New Jersey's Top Accounting Firms"**  
– *NJBIZ*, 2017
- **"Tax Advice Award"**  
– *Family Wealth Report Awards*, 2018
- **"Best Multi-Family Office – Client Service – Over \$2 Billion"**  
– *Private Asset Management Awards*, 2018
- **"Best Private Client Audit Firm"**  
– *Private Asset Management Awards*, 2017
- **"Best Reporting Solution Award"**  
– *Private Asset Management Awards*, 2016
- **"Best Places to Work in New Jersey"**  
– *NJBIZ*, 2018
- **Ranked 19 of the 50 "Best Accounting Employers to Work for in North America"**  
– *Vault*, 2019



## Agility, Responsiveness and Recognition

Since our founding, PKF O'Connor Davies has maintained its commitment to gaining a deep understanding of each client's operations and financial history in order to help meet their every challenge and objective. We fulfill this mission by providing resources that match those of larger firms in scope – but with the agility only a mid-sized firm such as ours can demonstrate...and yet, we still rank among them. Our services include:

### Accounting and Assurance Services

- Accounting Outsourcing
- Agreed-Upon Procedures (AUPs)
- Audits, Reviews and Compilations
- Elite Accounting Services
- Employee Benefit Plans
- International Financial Reporting Standards (IFRS)
- IT Audit & Cybersecurity Reviews
- Public Company Accounting Oversight Board (PCAOB)
- Public Sector Audits & Compliance

### International Services

- China Desk
- General Data Protection Regulation (GDPR)

### Tax Compliance and Planning Services

- Employee Benefit Planning & Tax Compliance
- International Tax Services
- IRS Representation & Tax Controversies
- Personal Financial Planning
- Private Foundation Services
- State and Local Tax (SALT)
- Tax Compliance & Reporting
- Tax Research and Strategic Planning
- Tax-Exempt Organizations
- Trust and Estate Planning

### Advisory Services

- Bankruptcy & Restructuring
- Cybersecurity Advisory Services
- Digital Forensic Services
- Forensic, Litigation and Valuation Services
- Management Advisory Services
- Risk Advisory Services
- Specialty Industry Advisory Services
  - Employee Benefit Plan Services
  - Entrepreneurial Business Advisory Solutions
  - Public Sector Advisory Services
  - Healthcare Advisory Services
  - Hospitality Advisory Services
  - Medical and Dental Advisory Services
- Transaction & Financial Advisory Services
- Wealth Services

### Family Office Services

- Accounting & Reporting
- Advisory
- Charitable Giving
- Investment Monitoring & Oversight
- Lifestyle Support
- Personal Financial Management
- Tax Planning
- Wealth Planning

**We offer an exceptional breadth of advisory services across diverse industries and sectors.**

PKF O'Connor Davies is the lead North American representative in PKF International, a global network of legally independent accounting and advisory firms located in over 400 locations, in 150 countries around the world.



Bethesda, MD | Cranford, NJ | Harrison, NY | Livingston, NJ | New York, NY | Newburgh, NY  
Stamford, CT | Wethersfield, CT | Woodcliff Lake, NJ

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