



FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2016

BALDWIN UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Baldwin Union Free School District
Baldwin, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Baldwin Union Free School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress - other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District contributions on pages 3 through 14 and 49 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baldwin Union Free School District's basic financial statements. The other supplementary information on pages 54 through 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of the Baldwin Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Baldwin Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

September 30, 2016

**BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Baldwin Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016 in comparison with the year ended June 30, 2015, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

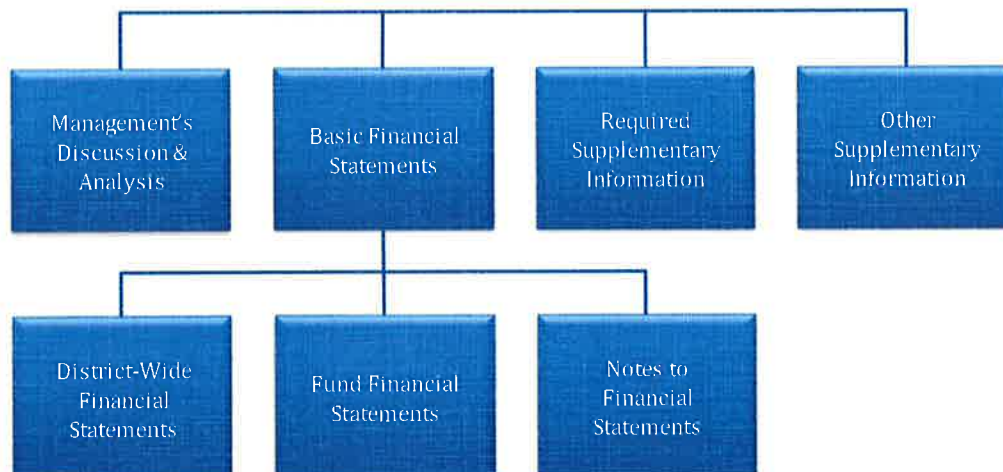
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2016 are as follows:

- The District's total net position, as reflected in the district-wide financial statements is \$39,846,135, an increase of \$10,520,986 over the prior year. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The District's operating revenues and expenses for the year, as reflected in the district-wide financial statements, were \$127,762,650 and \$117,241,664, respectively.
- The District received \$2,488,638 in operating grants to support instructional programs.
- The general fund's total fund balance, as reflected in the fund financial statements, is \$29,484,825, an increase of \$6,822,405 over the prior year. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.
- The District's 2016 property tax levy of \$91,911,950 was a 1.39% increase over the 2015 tax levy and equaled the property tax cap limit.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. Government-Wide Financial Statements

The government-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two government-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. 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 District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

Governmental Funds

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, you may better understand the long-term impact of the District'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 District maintains five individual governmental funds: general fund, special aid fund, school lunch fund, debt service fund and capital projects fund; each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the District's district-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by \$10,520,986 between fiscal year 2016 and 2015. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2016	2015	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 42,121,721	\$ 36,780,331	\$ 5,341,390	14.52 %
Capital Assets, Net	42,032,566	44,072,331	(2,039,765)	(4.63)%
Net Pension Asset -				
Proportionate Share	35,016,246	37,244,550	(2,228,304)	(5.98)%
Total Assets	119,170,533	118,097,212	1,073,321	0.91 %
Deferred Outflows of Resources	13,187,820	10,054,221	3,133,599	31.17 %
Current and Other Liabilities	10,284,267	11,846,694	(1,562,427)	(13.19)%
Long-Term Liabilities	17,558,953	20,582,650	(3,023,697)	(14.69)%
Net Other Postemployment				
Benefits Obligation	45,731,113	39,634,567	6,096,546	15.38 %
Net Pension Liability -				
Proportionate Share	6,090,159	1,203,976	4,886,183	405.84 %
Total Liabilities	79,664,492	73,267,887	6,396,605	8.73 %
Deferred Inflows of Resources	12,847,726	25,558,397	(12,710,671)	(49.73)%
Net Investment in Capital Assets	28,775,446	27,550,558	1,224,888	4.45 %
Restricted	19,631,314	15,177,496	4,453,818	29.34 %
Unrestricted (Deficit)	(8,560,625)	(13,402,905)	4,842,280	(36.13)%
Total Net Position	\$ 39,846,135	\$ 29,325,149	\$ 10,520,986	35.88 %

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Current and other assets increased by \$5,341,390, as compared to the prior year. The increase is primarily evidenced by an increase in cash, due from state and federal and accounts receivable.

Capital assets, net decreased by \$2,039,765, as compared to the prior year. This decrease is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

Net pension asset – proportionate share decreased by \$2,228,304, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year.

Deferred outflows of resources represents contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by \$1,562,427, as compared to the prior year. This decrease is primarily from a decrease in due to the teachers' retirement system, offset by an increase in accounts payable.

Long-term liabilities decreased by \$3,023,697, as compared to the prior year. This decrease is primarily due to scheduled debt payments.

Net other postemployment benefits (OPEB) obligation increased by \$6,096,546, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by \$4,886,183 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Deferred inflows of resources represents actuarial adjustments at the pension plan level that will be amortized in future years.

The net investment in capital assets relates to the investment in capital assets at cost such as land; construction in progress; buildings and improvements; and, furniture and equipment, net of depreciation and related debt. This number increased over the prior year as follows:

	<u>Increase (Decrease)</u>
Capital asset additions	\$ 311,998
Principal debt reduction - payments	3,264,653
Depreciation expense	<u>(2,351,763)</u>
	<u>\$ 1,224,888</u>

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The restricted amount of \$19,631,314 relates to the District's workers' compensation, unemployment insurance, retirement contribution, employee benefit accrued liability, and capital reserves and amounts restricted for debt service. This number increased by \$4,453,818 compared to the prior year. This increase is primarily due to funding the workers' compensation, retirement contribution and capital reserves. This was offset by the usage of the unemployment insurance, workers' compensation and employee benefit accrued liability reserves.

The unrestricted (deficit) amount of \$(8,560,625) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit decreased from the prior year by \$4,842,280, primarily as a result of the inclusion of the proportionate share of the state retirement plans' collective assets, deferred outflows, liabilities and deferred inflows offset by an unfunded addition to the OPEB liability.

The District's total net position increased by \$10,520,986 or 35.88%; \$39,846,135 at June 30, 2016, compared to \$29,325,149 at June 30, 2015.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 2,399,423	\$ 2,134,231	\$ 265,192	12.43 %
Operating Grants	2,791,376	2,872,767	(81,391)	(2.83)%
Capital Grants	15,427	274	15,153	5530.29 %
General Revenues				
Real Property Taxes and STAR	90,767,193	90,726,742	40,451	0.04 %
State Sources	28,515,827	25,850,807	2,665,020	10.31 %
Other	3,273,404	1,389,260	1,884,144	135.62 %
Total Revenues	<u>127,762,650</u>	<u>122,974,081</u>	<u>4,788,569</u>	3.89 %
Expenses				
General Support	14,662,999	13,798,451	864,548	6.27 %
Instruction	93,726,370	89,334,862	4,391,508	4.92 %
Pupil Transportation	6,621,372	6,747,498	(126,126)	(1.87)%
Community Service	15,659	14,702	957	6.51 %
Debt Service - Interest	509,751	596,974	(87,223)	(14.61)%
Food Service Program	1,705,513	1,681,193	24,320	1.45 %
Total Expenses	<u>117,241,664</u>	<u>112,173,680</u>	<u>5,067,984</u>	4.52 %
Total Change in Net Position	<u>\$ 10,520,986</u>	<u>\$ 10,800,401</u>	<u>\$ (279,415)</u>	(2.59)%

The District's net position increased by \$10,520,986 and \$10,800,401, for the years ended June 30, 2016 and 2015, respectively.

**BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

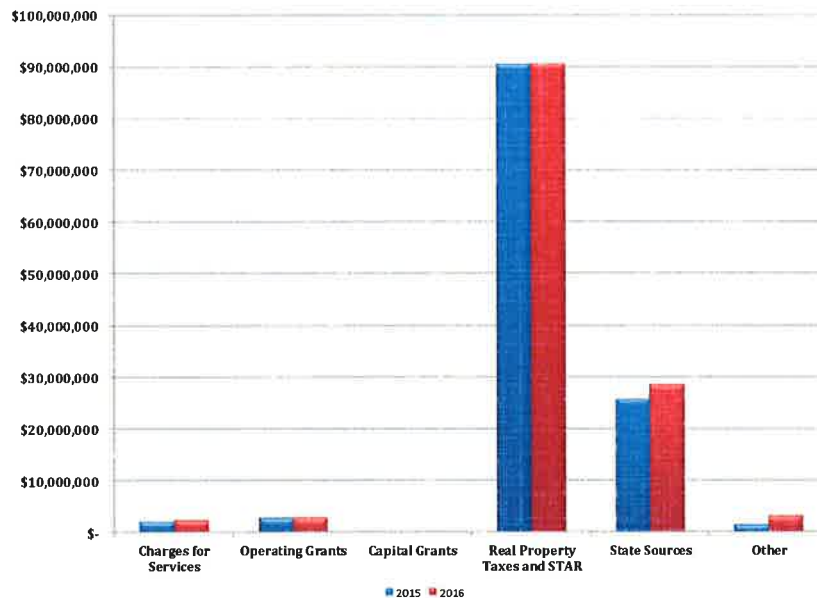
The District's revenues increased by \$4,788,569 or 3.89%. The major factors that contributed to the increase were:

- State sources revenues increased by \$2,665,020, which primarily related to increases in basic formula aid and other state grants.
- Other revenue increased by \$1,884,144 due to increased PILOT payments.

The District's expenses for the year increased by \$5,067,984 or 4.52%.

As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized; 71.0% and 73.8% of the total for the years 2016 and 2015, respectively. Instruction expenses is the largest category of expenses incurred; 80.0% and 79.7% of the total for the years 2016 and 2015, respectively.

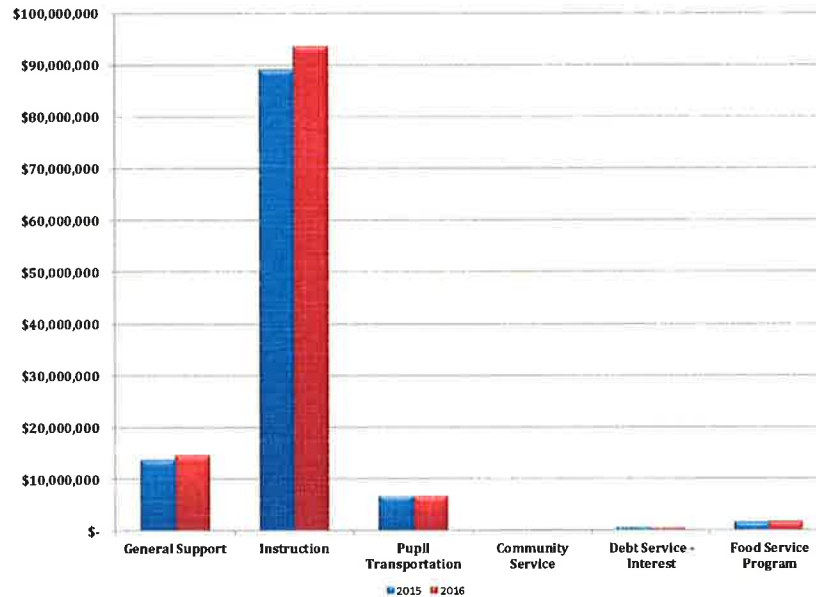
A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Capital Grants	Real Property Taxes and STAR	State Sources	Other
2015	1.7%	2.3%	0.0%	73.8%	21.0%	1.2%
2016	1.9%	2.2%	0.0%	71.0%	22.3%	2.6%

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A graphic display of the distribution of expenses for the two years follows:



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
2015	12.3%	79.7%	6.0%	0.0%	0.5%	1.5%
2016	12.5%	80.0%	5.6%	0.0%	0.4%	1.5%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2016, the District's governmental funds reported a combined fund balance of \$31,569,297, which is an increase of \$6,732,179 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2016	2015	Increase (Decrease)
General Fund			
Nonspendable: Prepays	\$ 100,000	\$ 100,000	\$ -
Restricted:			
Workers' Compensation	3,061,306	3,143,509	(82,203)
Unemployment Insurance	328,358	351,102	(22,744)
Retirement Contribution	5,715,078	5,239,188	475,890
Employee Benefit Accrued Liability	2,327,419	2,321,615	5,804
Capital	6,535,351	3,023,494	3,511,857
Assigned:			
Appropriated Fund Balance	2,500,000	3,108,622	(608,622)
Unappropriated Fund Balance	1,168,504	456,029	712,475
Unassigned: Fund Balance	7,748,809	4,918,861	2,829,948
	<u>29,484,825</u>	<u>22,662,420</u>	<u>6,822,405</u>

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2016	2015	Increase (Decrease)
School Lunch Fund			
Nonspendable: Inventory	\$ 6,549	\$ 5,144	\$ 1,405
Assigned: Unappropriated Fund Balance	507,898	433,959	73,939
	<u>514,447</u>	<u>439,103</u>	<u>75,344</u>
Debt Service Fund			
Restricted: Debt Service	<u>1,658</u>	<u>1,658</u>	<u>-</u>
Capital Projects Fund			
Restricted: Capital	1,662,144	1,096,930	565,214
Assigned: Unappropriated Fund Balance		637,007	(637,007)
Unassigned: Fund Balance (Deficit)	<u>(93,777)</u>		<u>(93,777)</u>
	<u>1,568,367</u>	<u>1,733,937</u>	<u>(165,570)</u>
 Total Fund Balance	 <u>\$ 31,569,297</u>	 <u>\$ 24,837,118</u>	 <u>\$ 6,732,179</u>

A. General Fund

The general fund - fund balance increased by \$6,822,405. This resulted from revenues in excess of expenditures. The District expects to appropriate \$2,301,697 from reserves during 2016 -17.

B. School Lunch Fund

The net change in the school lunch fund - fund balance is an increase of \$75,344, which was the operating profit of the school lunch fund.

C. Capital Projects Fund

The net change in the capital projects fund - fund balance is a decrease of \$165,570, resulting from current year expenditures for on-going capital projects.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2015-2016 Budget

The District's general fund adopted budget for the year ended June 30, 2016 was \$124,433,793. This amount was increased by encumbrances carried forward from the prior year in the amount of \$456,029, plus budget revisions in the amount of \$105,469, for a total final budget of \$124,955,291.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$91,771,950 in estimated property taxes and STAR receipts, and \$25,218,230 in estimated state aid.

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget, encumbrances and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, unassigned fund balance	\$ 4,918,861
Revenues over budget	4,899,139
Expenditures and encumbrances under budget	7,319,413
Interest allocated to reserves	(39,495)
Net Allocation to reserves	(6,218,009)
Unused budgeted reserves	(631,100)
Appropriated to fund the June 30, 2017 Budget	<u>(2,500,000)</u>
Closing, unassigned fund balance	<u><u>\$ 7,748,809</u></u>

Opening, Unassigned Fund Balance

The \$4,918,861 shown in the table is the portion of the District's June 30, 2015 fund balance that was retained as unassigned. This was approximately 3.95% of the District's 2015-16 approved operating budget and is within the 4% fund balance permitted by law.

Revenues Over Budget

The 2015-16 final budget for revenues including budget revisions was \$118,430,640. Actual revenues received for the year were \$123,329,779. The District's actual revenues were more than the amounts estimated by \$4,899,139 primarily in state sources (\$3,297,597), miscellaneous revenue (\$615,755) and use of money and property (\$488,851).

Expenditures and Encumbrances under Budget

The 2015-16 final budget for expenditures was \$124,995,291. Actual expenditures as of June 30, 2016 were \$116,507,374 and outstanding encumbrances were \$1,168,504. Combined, the expenditures plus encumbrances for 2015-2016 were \$117,675,878. The final budget was under expended by \$7,319,413. The majority of this under expenditure was in the areas of central services, teaching regular school, programs for students with disabilities and employee benefits.

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Interest Allocated to Reserves

This amount of \$(39,495) represents the interest earned on the reserve balances.

Net Allocation to Reserves/Unused Budgeted Reserves

All transfers to and from reserves were either approved by the voters or the Board of Education, and include the transfer of surplus totaling \$6,218,009 and the return of unused appropriated reserves totaling \$631,100 to the reserves.

Appropriated Fund Balance

The District has chosen to use \$2,500,000 of the available June 30, 2016 unassigned fund balance to partially fund the 2016-17 approved operating budget. As such, the June 30, 2016 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2016 was \$7,748,809. This amount equals 6.11% of the 2016-17 budget and exceeds the 4% statutory limit.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2016, the District had invested in a broad range of capital assets as indicated in the table below. The net decrease in capital assets is due to depreciation of \$2,351,763 in excess of capital additions of \$311,998 recorded for the year ended June 30, 2016. A summary of the District's capital assets, net of depreciation at June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Land	\$ 1,820,600	\$ 1,820,600	\$ -
Construction in progress	74,479	1,413,706	(1,339,227)
Buildings and improvements	39,461,472	40,116,155	(654,683)
Furniture and equipment	<u>676,015</u>	<u>721,870</u>	<u>(45,855)</u>
Capital assets, net	<u>\$ 42,032,566</u>	<u>\$ 44,072,331</u>	<u>\$ (2,039,765)</u>

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. Debt Administration

At June 30, 2016, the District had total bonds payable of \$12,239,694. The bonds were issued for school building improvements or the refunding of bonds originally issued for school building improvements. The decrease in outstanding bonds payable is the result of principal repayments. The accompanying Notes to Financial Statements, Note 12 "Long-Term Liabilities" provides additional information. A summary of the outstanding bonds at June 30, 2016 and 2015 is as follows:

Issue Date	Interest Rate	2016	2015	Increase (Decrease)
November 2006	3.625%	\$	\$ 790,000	\$ (790,000)
March 2009	2.500%	1,085,000	1,245,000	(160,000)
December 2011	2.00-3.00%	960,000	2,015,000	(1,055,000)
December 2011	2.00-4.00%	4,810,000	5,895,000	(1,085,000)
June 2015	2.00-4.00%	5,384,694	5,410,000	(25,306)
		<u>\$ 12,239,694</u>	<u>\$ 15,355,000</u>	<u>\$ (3,115,306)</u>

The District is also obligated under an installment purchase contract, which funded energy performance improvements completed in fiscal 2006. The outstanding balance is \$1,017,426.

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The District's outstanding serial bonds at June 30, 2016 are approximately 7% of the District's debt limit.

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 17, 2016, for the year ending June 30, 2017, is \$126,875,156. This is an increase of \$2,441,363 or 1.96% over the previous year's budget. The increase is principally in employee salaries and related benefits.

During 2016, Nassau County removed certain properties from the tax rolls and entered into agreements with those properties to make payments in lieu of taxes, causing a shift between property tax revenues and PILOT. In total, property taxes and STAR and PILOT (included in other revenues) increased over 2015 amounts.

The District budgeted revenues other than property taxes and STAR at a \$4,157,077 increase over the prior year's estimate, which is principally due to an estimated increase in state aid. The assigned, appropriated fund balance applied to the budget in the amount of \$2,500,000 is a \$608,622 decrease from the previous year. Additionally, the District has elected to appropriate \$2,301,697 of reserves towards the next year's budget, which is a decrease of \$698,303 from the previous year.

B. Future Budgets

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

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2016-17 is a decrease of 0.45%. The District's 2016-17 property tax was equal to the tax cap and did not require an override vote.

D. Property Tax Freeze Credit and Property Tax Relief Credit

New York State law provides a "Property Tax Freeze Credit" that effectively "freezes" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners receive a credit, which is distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments, in the second year, to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The program ends for school districts with the 2015-16 school year.

New York State enacted a new law that provides a "Property Tax Relief Credit" to eligible taxpayers for the 2016-17 through 2019-20 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check in the amount of \$130 in the first year. In subsequent years, the amount of the credit is a function of the basic STAR savings and the taxpayer's income.

These property tax credit programs provide an incentive for the District to be tax cap compliant.

E. CONTACTING THE DISTRICT

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Dr. Stephen Draper
Assistant Superintendent for Business
Baldwin Union Free School District
960 Hastings Street
Baldwin, New York 11510

BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

ASSETS

Cash	
Unrestricted	\$ 13,885,240
Restricted	19,631,314
Receivables	
Accounts receivable	766,710
Due from state and federal	7,731,908
Prepays	100,000
Inventories	6,549
Capital assets not being depreciated	1,895,079
Capital assets being depreciated, net of accumulated depreciation	40,137,487
Net pension asset - proportionate share	<u>35,016,246</u>
 Total Assets	 <u>119,170,533</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<u>13,187,820</u>
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LIABILITIES

Payables	
Accounts payable	2,028,396
Accrued liabilities	193,441
Due to fiduciary funds	181,291
Due to other governments	819
Due to teachers' retirement system	7,204,288
Due to employees' retirement system	512,773
Compensated absences payable	98,995
Unearned credits	
Collections in advance	64,264
Long-term liabilities	
Due and payable within one year	
Bonds payable	2,605,000
Energy performance contract payable	154,783
Due and payable after one year	
Bonds payable	9,634,694
Energy performance contract payable	862,643
Compensated absences payable	2,709,016
Workers' compensation payable	1,592,817
Net other postemployment benefits obligation	45,731,113
Net pension liability - proportionate share	<u>6,090,159</u>
 Total Liabilities	 <u>79,664,492</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>12,847,726</u>
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NET POSITION

Net investment in capital assets	<u>28,775,446</u>
 Restricted	
Workers' compensation	3,061,306
Unemployment insurance	328,358
Retirement contribution	5,715,078
Employee benefit accrued liability	2,327,419
Capital	8,197,495
Debt service	<u>1,658</u>
	<u>19,631,314</u>
 Unrestricted (deficit)	 <u>(8,560,625)</u>
 Total Net Position	 <u>\$ 39,846,135</u>

BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2016

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants	Capital Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General support	\$ 14,662,999	\$	\$ 30,905	\$ 15,427	\$ (14,616,667)
Instruction	93,726,370	891,579	2,488,638		(90,346,153)
Pupil transportation	6,621,372				(6,621,372)
Community service	15,659				(15,659)
Debt service - interest	509,751				(509,751)
Food service program	<u>1,705,513</u>	<u>1,507,844</u>	<u>271,833</u>		<u>74,164</u>
Total Functions/Programs	<u>\$ 117,241,664</u>	<u>\$ 2,399,423</u>	<u>\$ 2,791,376</u>	<u>\$ 15,427</u>	<u>(112,035,438)</u>
GENERAL REVENUES					
Real property taxes					77,160,271
Other tax items					14,966,304
Use of money and property					698,628
Forfeitures					350
Sale of property and compensation for loss					113,240
Miscellaneous					987,215
State sources					28,515,827
Medicaid reimbursement					<u>114,589</u>
Total General Revenues					<u>122,556,424</u>
Change in Net Position					10,520,986
Total Net Position - Beginning of year					<u>29,325,149</u>
Total Net Position - End of year					<u>\$ 39,846,135</u>

BALDWIN UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 12,905,501	\$ 112,839	\$ 735,850	\$	\$ 131,050	\$ 13,885,240
Restricted	17,967,512			1,658	1,662,144	19,631,314
Receivables						
Accounts receivable	765,501		1,209			766,710
Due from other funds	2,082,599					2,082,599
Due from state and federal	6,112,867	1,571,576	26,385		21,080	7,731,908
Prepays	100,000					100,000
Inventories			6,549			6,549
Total Assets	<u>\$ 39,933,980</u>	<u>\$ 1,684,415</u>	<u>\$ 769,993</u>	<u>\$ 1,658</u>	<u>\$ 1,814,274</u>	<u>\$ 44,204,320</u>
LIABILITIES						
Payables						
Accounts payable	\$ 1,980,574	\$ 15,269	\$ 32,553	\$	\$	\$ 2,028,396
Accrued liabilities	117,177					117,177
Due to other funds	181,291	1,669,146	188,626		224,827	2,263,890
Due to other governments			819			819
Due to teachers' retirement system	7,204,288					7,204,288
Due to employees' retirement system	512,773					512,773
Compensated absences payable	98,995					98,995
Unearned credits						
Collections in advance	30,716		33,548			64,264
Total Liabilities	<u>10,125,814</u>	<u>1,684,415</u>	<u>255,546</u>	<u>-</u>	<u>224,827</u>	<u>12,290,602</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	323,341	-		-	21,080	344,421
Total Deferred Inflows of Resources	<u>323,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,080</u>	<u>344,421</u>
FUND BALANCES						
Nonspendable:						
Prepays	100,000					100,000
Inventories			6,549			6,549
Restricted:						
Workers' compensation	3,061,306					3,061,306
Unemployment insurance	328,358					328,358
Retirement contribution	5,715,078					5,715,078
Employee benefit accrued liability	2,327,419					2,327,419
Capital	6,535,351				1,662,144	8,197,495
Debt service				1,658		1,658
Assigned:						
Appropriated fund balance	2,500,000					2,500,000
Unappropriated fund balance	1,168,504		507,898			1,676,402
Unassigned: Fund balance (deficit)	7,748,809				(93,777)	7,655,032
Total Fund Balances	<u>29,484,825</u>	<u>-</u>	<u>514,447</u>	<u>1,658</u>	<u>1,568,367</u>	<u>31,569,297</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 39,933,980</u>	<u>\$ 1,684,415</u>	<u>\$ 769,993</u>	<u>\$ 1,658</u>	<u>\$ 1,814,274</u>	<u>\$ 44,204,320</u>

BALDWIN UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Total Governmental Fund Balances \$ 31,569,297

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

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 85,940,273	
Accumulated depreciation	<u>(43,907,707)</u>	42,032,566

Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.

Net pension asset - teachers' retirement system	35,016,246	
Deferred outflows of resources	13,187,820	
Net pension liability - employees' retirement system	(6,090,159)	
Deferred inflows of resources	<u>(12,847,726)</u>	29,266,181

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.

344,421

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(76,264)	
Bonds payable	(12,239,694)	
Energy performance contract payable	(1,017,426)	
Compensated absences payable	(2,709,016)	
Workers' compensation payable	(1,592,817)	
Net other postemployment benefits obligation	<u>(45,731,113)</u>	<u>(63,366,330)</u>

Total Net Position	\$ 39,846,135	<u><u>344,421</u></u>
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BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 77,160,271	\$	\$	\$	\$	\$ 77,160,271
Other tax items	14,966,304					14,966,304
Charges for services	806,227					806,227
Use of money and property	634,851		1,180			636,031
Forfeitures	350					350
Sale of property and compensation for loss	113,240					113,240
Miscellaneous	987,215					987,215
State sources	28,515,827	1,010,802	11,664			29,538,293
Medicaid reimbursement	114,589					114,589
Federal sources	30,905	1,477,836	260,169			1,768,910
Sales - school lunch			1,507,844			1,507,844
Total Revenues	123,329,779	2,488,638	1,780,857	-	-	127,599,274
EXPENDITURES						
General support	12,285,639					12,285,639
Instruction	69,741,409	2,537,739				72,279,148
Pupil transportation	6,366,390	199,946				6,566,336
Community service	11,364	375				11,739
Employee benefits	24,070,484		145,658			24,216,142
Debt service						
Principal				3,264,653		3,264,653
Interest				518,013		518,013
Cost of sales			1,559,855			1,559,855
Capital outlay					165,570	165,570
Total Expenditures	112,475,286	2,738,060	1,705,513	3,782,666	165,570	120,867,095
Excess (Deficiency) of Revenues Over Expenditures	10,854,493	(249,422)	75,344	(3,782,666)	(165,570)	6,732,179
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in		249,422		3,782,666		4,032,088
Operating transfers (out)	(4,032,088)					(4,032,088)
Total Other Financing Sources and (Uses)	(4,032,088)	249,422	-	3,782,666	-	-
Net Change in Fund Balances	6,822,405	-	75,344	-	(165,570)	6,732,179
Fund Balances - Beginning of year	22,662,420		439,103	1,658	1,733,937	24,837,118
Fund Balances - End of year	\$ 29,484,825	\$ -	\$ 514,447	\$ 1,658	\$ 1,568,367	\$ 31,569,297

BALDWIN UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2016

Net Change in Fund Balances \$ 6,732,179

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

Change in unavailable revenues \$ 163,376

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in compensated absences liability	(240,956)	
Increase in net other postemployment benefits obligation	<u>(6,096,546)</u>	
		(6,174,126)

Capital Related Differences

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

Capital outlays	311,998	
Depreciation expense	<u>(2,351,763)</u>	
		(2,039,765)

Long-Term Debt Transaction Differences

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

Repayment of bond principal	3,115,306	
Repayment of energy performance contract payable	149,347	

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2015 to June 30, 2016.

	<u>8,262</u>	3,272,915
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Pension Differences

The decrease in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.

Teachers' retirement system	9,174,214	
Employees' retirement system	<u>(444,431)</u>	
		<u>8,729,783</u>

Change in Net Position		<u><u>\$ 10,520,986</u></u>
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BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2016

	<u>Agency</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash		
Unrestricted	\$ 480,039	\$
Restricted		61,154
Due from governmental funds	181,291	
Accounts receivable	<u>36,184</u>	
Total Assets	<u>\$ 697,514</u>	<u>\$ 61,154</u>
 LIABILITIES		
Extraclassroom activity balances	\$ 140,161	\$
Other liabilities	<u>557,353</u>	
Total Liabilities	<u>\$ 697,514</u>	<u>-</u>
 NET POSITION		
Restricted for scholarships		<u>\$ 61,154</u>

BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2016

	Private Purpose Trust
	<u> </u>
ADDITIONS	
Contributions	\$ 15,166
Interest	<u>180</u>
	<u> </u>
Total Additions	<u>15,346</u>
	<u> </u>
DEDUCTIONS	
Scholarships and awards	<u>31,157</u>
	<u> </u>
Change in Net Position	(15,811)
	<u> </u>
Net Position - Beginning of year	<u>76,965</u>
	<u> </u>
Net Position - End of Year	<u><u>\$ 61,154</u></u>

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Baldwin Union Free School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

A. Reporting Entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of five members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entity is included in the District's financial statements:

Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

B. Joint Venture

The District is a component district in the Board of Cooperative Educational Services of Nassau (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants.

The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

General Fund - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

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

School Lunch Fund - is used to account for the activities of the food service program.

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

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Projects Fund – is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets, such as equipment.

Fiduciary Funds – are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used. The following are the District's fiduciary funds:

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

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

D. Measurement Focus and Basis of Accounting

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 or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, state aid, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, other postemployment benefits and pension costs, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board of Education no later than August 15th and become a lien on October 1st and April 1st. Taxes were collected by the Town of Hempstead and remitted to the District.

Enforcement

Uncollected real property taxes are subsequently enforced by Nassau County.

F. Restricted Resources

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

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

I. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

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

J. Receivables

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

K. Inventories and Prepaids

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. These inventories are accounted for on the consumption method.

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position and Balance Sheet using the consumption method.

Under the consumption method, a current asset for the inventory and/or prepaid item is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventories and prepaids do not constitute available spendable resources.

L. Capital Assets

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at estimated fair market value at the date of donation.

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 15,000	7-65 years
Site improvements	15,000	10-30 years
Furniture and equipment	5,000	5-30 years

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category, both of which relate to pensions. The first item represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension system (TRS and ERS Systems) subsequent to the measurement date.

N. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts and summer program fees. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

O. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations and amounts due from other governments for tuition charges. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, including the net difference between projected and actual earnings on pension plan investments.

P. Employee Benefits – Compensated Absences

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

Q. Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

The District provides health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

R. Short-Term Debt

The District may issue revenue anticipation notes (RAN) and tax anticipation notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

S. Equity Classifications

District-Wide Statements

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

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Restricted – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventories and prepaids.

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. The District has established the following restricted fund balances:

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Capital Reserve

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

Restricted for Debt Service

Unexpended balances of proceeds of borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

Restricted for Scholarships

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

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

Unassigned – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned. NYS Real Property Tax Law §1318, restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Balance Classification

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

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the District-wide statements, compared with the current financial resource measurement focus of the governmental funds.

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

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities, including pensions.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension Differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability, differences between the District's contributions and its proportionate share of the total contributions to the pension systems and District contributions to the pension systems subsequent to the measurement date.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

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

Appropriations are adopted at the program line item level.

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

During the year, the District had the following supplemental appropriations:

Program costs funded by miscellaneous donations	\$ <u>105,469</u>
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Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

C. Unassigned Fund Balance

The District's general fund unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District is in the process of formulating a plan to reduce the unassigned fund balance to be within the permissible limit. This plan will address funding its reserves to a fiscally prudent level and addressing the capital needs of the District.

D. Capital Projects Fund

The capital projects fund has an unassigned fund balance deficit of \$93,777. This will be funded when the District obtains permanent financing for its current construction project.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year end.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. PARTICIPATION IN BOCES

During the year ended June 30, 2016, the District was billed \$9,255,309 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,887,896. Financial statements for the BOCES are available from the BOCES administrative offices at Nassau BOCES Administrative Center, 71 Clinton Road, Garden City, New York 11530.

6. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, are as follows:

	Fund		Total
	General	School Lunch	
Accounts receivable	\$ 765,501	\$ 1,209	\$ 766,710

Accounts receivable in the general fund consisted primarily of tuition and health services billings due from other school districts. Accounts receivable in the school lunch fund consists primarily of special events billings for services outside normal activities.

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2016 consists of:

General Fund	
New York State Aid	\$ 1,403,644
BOCES	1,478,991
County of Nassau	3,230,232
	<u>6,112,867</u>
Special Aid Fund	
Federal and state grants	1,571,576
School Lunch Fund	
Federal and state food service program reimbursements	26,385
Capital Fund	
State EXCEL grant	<u>21,080</u>
	<u>\$ 7,731,908</u>

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. CAPITAL ASSETS

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

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,820,600	\$	\$	\$ 1,820,600
Construction in progress	1,413,706	15,732	(1,354,959)	74,479
Total capital assets not being depreciated	3,234,306	15,732	(1,354,959)	1,895,079
Capital assets being depreciated				
Buildings and improvements	79,503,461	1,560,214		81,063,675
Furniture and equipment	2,954,027	91,011	(63,519)	2,981,519
Total capital assets being depreciated	82,457,488	1,651,225	(63,519)	84,045,194
Less accumulated depreciation for:				
Buildings and improvements	39,387,306	2,214,897		41,602,203
Furniture and equipment	2,232,157	136,866	(63,519)	2,305,504
Total accumulated depreciation	41,619,463	2,351,763	(63,519)	43,907,707
Total capital assets being depreciated, net	40,838,025	(700,538)	-	40,137,487
Capital assets, net	\$ 44,072,331	\$ (684,806)	\$ (1,354,959)	\$ 42,032,566

Depreciation expense was charged to governmental functions as follows:

General support	\$ 213,619
Instruction	2,138,144
	<u>\$ 2,351,763</u>

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2016, are as follows:

	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 2,082,599	\$ 181,291	\$	\$ 4,032,088
Special Aid Fund		1,669,146	249,422	
School Lunch Fund		188,626		
Debt Service Fund			3,782,666	
Capital Projects Fund		224,827		
Total Governmental Funds	2,082,599	2,263,890	4,032,088	4,032,088
Fiduciary Fund	181,291			
Total	\$ 2,263,890	\$ 2,263,890	\$ 4,032,088	\$ 4,032,088

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The District transfers from the general fund to the special aid fund and debt service fund in accordance with the general fund budget. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state supported Section 4201 schools. The transfer to the debt service fund was for the repayment of principal and interest on outstanding indebtedness.

10. UNAVAILABLE REVENUES

Unavailable revenues in the amount of \$344,421 consists of uncollected foster tuition billings from school districts, an uncollected legal settlement and future EXCEL aid.

11. SHORT-TERM DEBT

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

12. LONG-TERM LIABILITIES

A. Changes

The following table summarizes the changes in governmental activities in long-term liabilities, excluding pension and other postemployment benefits obligations, for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 15,355,000	\$	\$ (3,115,306)	\$ 12,239,694	\$ 2,605,000
Energy performance contract	1,166,773		(149,347)	1,017,426	154,783
Other long-term liabilities:					
Compensated absences	2,468,060	240,956		2,709,016	
Workers' compensation	1,592,817	590,062	(590,062)	1,592,817	
	<u>\$ 20,582,650</u>	<u>\$ 831,018</u>	<u>\$ (3,854,715)</u>	<u>\$ 17,558,953</u>	<u>\$ 2,759,783</u>

The general fund has typically been used to liquidate other long-term liabilities.

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2016
Serial Bonds	3/1/2009	11/1/2021	2.500%	\$ 1,085,000
Refunding Bonds	12/29/2011	9/1/2017	2.00-3.00%	960,000
Refunding Bonds	12/19/2011	6/15/2020	2.00-4.00%	4,810,000
Refunding Bonds	6/4/2015	11/1/2021	2.00-4.00%	5,384,694
				<u>\$ 12,239,694</u>

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,605,000	\$ 390,100	\$ 2,995,100
2018	2,685,000	295,725	2,980,725
2019	2,290,000	200,500	2,490,500
2020	2,380,000	117,300	2,497,300
2021	1,125,000	40,250	1,165,250
2022	1,154,694	13,550	1,168,244
Total	<u>\$ 12,239,694</u>	<u>\$ 1,057,425</u>	<u>\$ 13,297,119</u>

C. Energy Performance Contract

Energy performance contract is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2016</u>
Energy performance contract	9/30/2005	9/30/2021	5.822%	<u>\$ 1,017,426</u>

The following is a summary of maturing debt service requirements of the energy performance contract:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 154,783	\$ 37,034	\$ 191,817
2018	160,417	31,400	191,817
2019	166,256	25,561	191,817
2020	172,308	19,509	191,817
2021	178,581	13,236	191,817
2022	185,081	6,736	191,817
Total	<u>\$ 1,017,426</u>	<u>\$ 133,476</u>	<u>\$ 1,150,902</u>

D. Advance Refunding

In prior years, the District defeased certain general obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The outstanding principal balance of the defeased bonds was fully redeemed by November 1, 2015.

E. Interest Expense

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

Interest paid	\$ 518,013
Less interest accrued in the prior year	(84,526)
Plus interest accrued in the current year	<u>76,264</u>
Total interest expense on long-term debt	<u>\$ 509,751</u>

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

13. PENSION PLANS – NEW YORK STATE

A. General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. 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. Additional information regarding the TRS may be found on the TRS website at www.nysstrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. 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 District also participates in the Public Employees' Group Life Insurance Plan (GLIP), 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 on the NYS Comptroller website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30th, for the current year and two preceding years was:

Year	TRS	ERS
2016	\$ 6,843,827	\$ 1,813,354
2015	8,823,241	1,845,511
2014	8,157,569	2,072,626

D. Pension Asset/Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2015, for TRS and March 31, 2016 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
District's proportionate share of the net pension asset/(liability)	\$ 35,016,246	\$ (6,090,159)
District's portion of the Plan's total net pension asset/(liability)	0.3371220%	0.0379443%
Change in proportion since the prior measurement date	0.0027720	0.0023052

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2016, the District recognized pension expense (credit) of \$(2,330,387) for TRS and \$2,257,785 for ERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$	\$ 30,775	\$ 970,450	\$ 721,887
Changes of assumptions		1,624,062		
Net difference between projected and actual earnings on pension plan investments		3,613,017	11,068,818	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	112,176	334,434	86,571	
District's contributions subsequent to the measurement date	<u>6,960,583</u>	<u>512,773</u>		
Total	<u>\$ 7,072,759</u>	<u>\$ 6,115,061</u>	<u>\$ 12,125,839</u>	<u>\$ 721,887</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>TRS</u>	<u>ERS</u>
2017	\$ (4,460,682)	\$ 1,244,183
2018	(4,460,682)	1,244,183
2019	(4,460,682)	1,244,183
2020	1,844,599	1,147,852
2021	(117,157)	
Thereafter	<u>(359,059)</u>	
	<u>\$ (12,013,663)</u>	<u>\$ 4,880,401</u>

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
Actuarial valuation date	June 30, 2014	April 1, 2015
Interest rate	8.0%	7.0%
Salary scale	4.01-10.91%	3.8%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	3.0%	2.5%

For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale AA. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2015		March 31, 2016
Asset type				
Domestic equity	37.0%	6.50%	38.0%	7.30%
International equity	18.0%	7.70%	13.0%	8.55%
Real estate	10.0%	4.60%	8.0%	8.25%
Alternative investments	7.0%	9.90%	19.0%	6.75-11.00%
Domestic fixed income securities	17.0%	2.10%		
Global fixed income securities	2.0%	1.90%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term	1.0%	1.20%		
Cash			2.0%	2.25%
Inflation indexed bonds			2.0%	4.00%
	100.0%		100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 8.0% for TRS and 7.0% for ERS (the discount rate used by the ERS at the prior year's measurement date of March 31, 2015 was 7.5%). 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 the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (7.0% for TRS and 6.0% for ERS) or 1 percentage point higher (9.0% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (7.00)%	Current Assumption (8.00)%	1% Increase (9.00)%
District's proportionate share of the net pension asset (liability)	\$ (2,388,560)	\$ 35,016,246	\$ 66,914,691
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (13,732,867)	\$ (6,090,159)	\$ 367,602

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position

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

	<u>TRS</u>	<u>ERS</u>
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2015	March 31, 2016
Employers' total pension liability	\$ (99,332,104)	\$ (172,303,544)
Plan fiduciary net position	<u>109,718,917</u>	<u>156,253,265</u>
Employers' net pension asset/(liability)	<u>\$ 10,386,813</u>	<u>\$ (16,050,279)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	110.46%	90.68%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016, are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016, represent employer and employee contributions for the fiscal year ended June 30, 2016, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$6,960,583 of employer contributions and \$243,705 of employee contributions.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2016, represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$512,773 of employer contributions. Employee contributions are remitted monthly.

14. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and employees for the year ended June 30, 2016, totaled \$5,000 and \$3,257,615, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2016 totaled \$443,461.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

15. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. Plan Description

The District provides medical and Medicare part B reimbursement coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The plan does not issue a stand-alone financial report.

B. Funding Policy

The District recognizes its share of the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2016, the District recognized a general fund expenditure of approximately \$2,471,098 for insurance premiums for 411 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation.

Annual required contribution (ARC)	\$ 9,186,631
Interest on net OPEB obligation	1,585,383
Adjustment to ARC	<u>(2,204,370)</u>
Annual OPEB cost (expense)	8,567,644
Contribution made	<u>(2,471,098)</u>
Increase in net OPEB obligation	6,096,546
Net OPEB obligation - beginning of year	<u>39,634,567</u>
Net OPEB obligation - end of year	<u><u>\$ 45,731,113</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and the two preceding years are as follows:

<u>Fiscal</u> <u>Year End</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2016	\$ 8,567,644	28.84%	\$ 45,731,113
June 30, 2015	7,427,823	34.08%	39,634,567
June 30, 2014	7,506,785	32.65%	34,738,431

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Funded Status and Funding Progress

As of July 1, 2015 the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$95,797,513 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$95,797,513. The covered payroll (annual payroll of active employees covered by the plan) was \$58,832,640, and the ratio of the UAAL to the covered payroll was 162.8%.

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.0% after 9 years. The UAAL is being amortized using the level dollar method.

16. RISK MANAGEMENT

A. General Information

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

B. Risk Retention

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	<u>2016</u>	<u>2015</u>
Unpaid claims at beginning of year	\$ 1,592,817	\$ 1,823,199
Incurred claims and adjustments	590,062	395,068
Claim payments	<u>(590,062)</u>	<u>(625,450)</u>
Unpaid claims at year end	<u>\$ 1,592,817</u>	<u>\$ 1,592,817</u>

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

17. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2016 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2017:

Retirement contribution	\$ 1,601,697
Workers' compensation	<u>700,000</u>
	<u>\$ 2,301,697</u>

18. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$2,500,000 has been appropriated to reduce taxes for the year ending June 30, 2017.

19. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2016, the District encumbered the following amounts as assigned unappropriated fund balance:

General Fund	
General Support	\$ 355,493
Instruction	<u>813,011</u>
	1,168,504
 School Lunch Fund	
Equipment	12,579
 Capital Projects Fund	
Capital projects	<u>137,140</u>
	<u>\$ 1,318,223</u>

B. Grants

The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the District's administration believes disallowances, if any, would be immaterial.

C. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. Management believes that the outcome of any matters will not have a material effect on these financial statements.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$316,531. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 238,608
2018	<u>130,156</u>
	<u>\$ 368,764</u>

20. SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 30, 2016, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 78,771,950	\$ 78,165,028	\$ 77,160,271	\$ (1,004,757)
Other tax items	13,140,000	13,746,922	14,966,304	1,219,382
Charges for services	605,000	605,000	806,227	201,227
Use of money and property	146,000	146,000	634,851	488,851
Forfeitures			350	350
Sale of property and compensation for loss	78,000	78,000	113,240	35,240
Miscellaneous	265,991	371,460	987,215	615,755
Total Local Sources	93,006,941	93,112,410	94,668,458	1,556,048
State Sources	25,218,230	25,218,230	28,515,827	3,297,597
Medicaid Reimbursement	100,000	100,000	114,589	14,589
Federal Sources			30,905	30,905
Total Revenues	118,325,171	118,430,640	123,329,779	\$ 4,899,139
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	3,108,622	3,108,622		
Prior Year's Encumbrances	456,029	456,029		
Appropriated Reserves	3,000,000	3,000,000		
Total Appropriated Fund Balance	6,564,651	6,564,651		
Total Revenues and Appropriated Fund Balance	\$ 124,889,822	\$ 124,995,291		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 128,002	\$ 127,687	\$ 92,835	\$	\$ 34,852
Central administration	300,980	334,031	317,281		16,750
Finance	1,126,941	1,136,527	1,023,719	34,322	78,486
Staff	931,861	947,265	882,566		64,699
Central services	9,499,016	9,531,607	8,618,552	321,171	591,884
Special items	1,424,337	1,356,096	1,350,686		5,410
Total General Support	13,411,137	13,433,213	12,285,639	355,493	792,081
Instruction					
Administration & improvement	4,901,972	5,386,427	5,337,535	2,218	46,674
Teaching - regular school	41,343,501	39,713,177	39,006,991	334,181	372,005
Programs for students with disabilities	16,636,516	16,484,895	16,045,056	1,097	438,742
Occupational education	1,508,367	1,415,000	1,413,570		1,430
Teaching - special schools	221,325	236,986	207,472		29,514
Instructional media	1,862,404	3,011,862	2,299,943	461,647	250,272
Pupil services	5,667,343	5,732,544	5,430,842	13,868	287,834
Total Instruction	72,141,428	71,980,891	69,741,409	813,011	1,426,471
Pupil Transportation	6,238,679	6,487,488	6,366,390		121,098
Community service	15,407	13,371	11,364		2,007
Employee Benefits	28,898,213	28,895,370	24,070,484		4,824,886
Total Expenditures	120,704,864	120,810,333	112,475,286	1,168,504	7,166,543
OTHER USES					
Operating transfers out	4,184,958	4,184,958	4,032,088		152,870
Total Expenditures and Other Uses	\$ 124,889,822	\$ 124,995,291	116,507,374	\$ 1,168,504	\$ 7,319,413
Net Change in Fund Balance			6,822,405		
Fund Balance - Beginning of Year			22,662,420		
Fund Balance - End of Year			\$ 29,484,825		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of Funding Progress - Other Postemployment Benefits
June 30, 2016

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	\$ -	\$ 95,797,513	\$ 95,797,513	0.0%	\$ 58,832,640	162.8%
July 1, 2013	-	85,076,140	85,076,140	0.0%	56,305,997	151.1%
July 1, 2011	-	86,722,135	86,722,135	0.0%	62,816,714	138.1%

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
June 30, 2016

Teachers' Retirement System

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension asset	0.3371220%	0.3343500%
District's proportionate share of the net pension asset	\$ 35,016,246	\$ 37,244,550
District's covered payroll	\$ 50,866,654	\$ 49,612,198
District's proportionate share of the net pension asset as a percentage of its covered payroll	68.80%	75.10%
Plan fiduciary net position as a percentage of the total pension asset	110.46%	111.48%

Employees' Retirement System

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0379443%	0.0356391%
District's proportionate share of the net pension liability	\$ 6,090,159	\$ 1,203,976
District's covered payroll	\$ 9,998,839	\$ 10,509,352
District's proportionate share of the net pension liability as a percentage of its covered payroll	60.90%	11.50%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of District Contributions
June 30, 2016

Teachers' Retirement System

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 6,843,827	\$ 8,823,241	\$ 8,157,569	\$ 6,614,456	\$ 5,340,406	\$ 3,251,610	\$ 3,267,902	\$ 3,835,060	\$ 4,639,782	\$ 4,121,572
Contributions in relation to the contractually required contribution	<u>6,843,827</u>	<u>8,823,241</u>	<u>8,157,569</u>	<u>6,614,456</u>	<u>5,340,406</u>	<u>3,251,610</u>	<u>3,267,902</u>	<u>3,835,060</u>	<u>4,639,782</u>	<u>4,121,572</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$52,511,599	\$50,866,654	\$49,612,198	\$52,426,989	\$55,039,047	\$55,457,725	\$52,626,514	\$50,072,566	\$47,255,998	\$45,587,931
Contributions as a percentage of covered payroll	13%	17%	16%	13%	10%	6%	6%	8%	10%	9%

Employees' Retirement System

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 1,813,354	\$ 1,845,511	\$ 2,072,626	\$ 2,071,008	\$ 1,577,001	\$ 1,174,344	\$ 766,427	\$ 831,370	\$ 913,582	\$ 953,487
Contributions in relation to the contractually required contribution	<u>1,813,354</u>	<u>1,845,511</u>	<u>2,072,626</u>	<u>2,071,008</u>	<u>1,577,001</u>	<u>1,174,344</u>	<u>766,427</u>	<u>831,370</u>	<u>913,582</u>	<u>953,487</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$10,235,183	\$10,632,357	\$10,252,609	\$10,359,518	\$10,568,364	\$11,678,962	\$11,463,802	\$10,875,384	\$10,382,783	\$10,469,899
Contributions as a percentage of covered payroll	18%	17%	20%	20%	15%	10%	7%	8%	9%	9%

BALDWIN UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2016

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 124,433,793
Additions:	
Prior year's encumbrances	<u>456,029</u>
Original Budget	124,889,822
Budget revisions	<u>105,469</u>
Final Budget	<u><u>\$ 124,995,291</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 voter-approved expenditure budget	<u><u>\$ 126,875,156</u></u>
Maximum allowed (4% of 2016-17 budget)	<u><u>\$ 5,075,006</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 3,668,504
Unassigned fund balance	<u>7,748,809</u>
	\$ 11,417,313
Less:	
Appropriated fund balance	2,500,000
Encumbrances	<u>1,168,504</u>
Total adjustments	<u>3,668,504</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 7,748,809</u></u>
Actual Percentage	6.11%

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures -
Capital Projects Fund
For The Year Ended June 30, 2016

PROJECT TITLE	Budget	Budget	Expenditures			Unexpended	Proceeds of	Methods of Financing			Fund
	June 30, 2015	June 30, 2016	Prior Years	Current Year	Total	Balance	Obligations	State Aid	Local Sources	Total	Balance June 30, 2016
Middle School-Cameras & Lighting	\$ 105,910	\$ 105,910	\$ 34,830	\$	\$ 34,830	\$ 71,080	\$	\$	\$ 105,910	\$ 105,910	\$ 71,080
2010-2011 Capital Improvements	547,000	547,000	477,074		477,074	69,926			547,000	547,000	69,926
2011-2012 Capital Reserve Projects	1,127,763	1,127,763	1,126,856		1,126,856	907			1,127,763	1,127,763	907
2013-2014 Capital Reserve Projects	1,442,259	1,442,259	1,065,178	165,265	1,230,443	211,816		220,196	1,222,063	1,442,259	211,816
2014-2015 Capital Reserve Projects	1,492,700	1,492,700	42,973	305	43,278	1,449,422			1,492,700	1,492,700	1,449,422
Totals	<u>\$ 4,715,632</u>	<u>\$ 4,715,632</u>	<u>\$ 2,746,911</u>	<u>\$ 165,570</u>	<u>\$ 2,912,481</u>	<u>\$ 1,803,151</u>	<u>\$ -</u>	<u>\$ 220,196</u>	<u>\$ 4,495,436</u>	<u>\$ 4,715,632</u>	1,803,151
								Interfund transfer of 1999 bond project			(14,588)
								State aid not yet received			<u>(220,196)</u>
											<u>\$ 1,568,367</u>

BALDWIN UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2016

Capital assets, net	<u>\$ 42,032,566</u>
Deduct:	
Short-term portion of bonds payable	(2,605,000)
Long-term portion of bonds payable	(9,634,694)
Short-term portion of energy performance contract payable	(154,783)
Long-term portion of energy performance contract payable	<u>(862,643)</u>
Net investment in capital assets	<u><u>\$ 28,775,446</u></u>

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

To the Board of Education
Baldwin Union Free School District
Baldwin, 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 fiduciary funds of the Baldwin Union Free School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 30, 2016.

Internal Control Over Financial Reporting

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Baldwin Union Free School District in a separate letter dated September 30, 2016.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cullen & Danowski, LLP

September 30, 2016

