



FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2015

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2015, 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.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*, as of June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, 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 22, 2015 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Baldwin Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

September 22, 2015

**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, 2015 in comparison with the year ended June 30, 2014, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

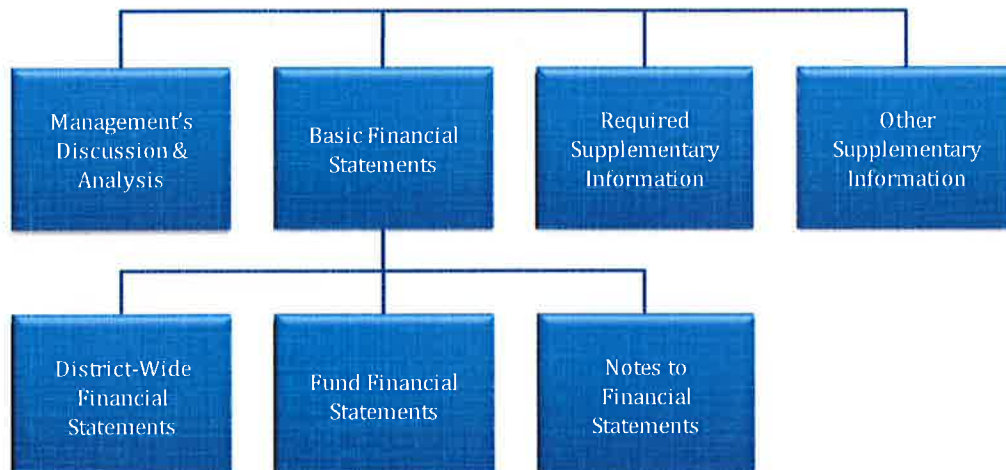
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2015 are as follows:

- The District’s total net position, as reflected in the district-wide financial statements is \$29,325,149, an increase of \$10,800,401 over the prior year. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The District’s total net position at June 30, 2014 was restated and increased by \$9,380,219 as a result of the required implementation of the new GASB accounting standards during the 2015 fiscal year. These new GASB accounting standards have no impact on the governmental funds financial statements.
- The District’s operating revenues and expenses for the year, as reflected in the district-wide financial statements, were \$122,974,081 and \$112,173,680, respectively.
- The District received \$2,617,853 in operating grants to support instructional programs.
- The general fund’s total fund balance, as reflected in the fund financial statements, is \$22,662,420, an increase of \$1,989,681 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 2015 property tax levy of \$90,651,731 was a 1.51% increase over the 2014 tax levy. The District’s property tax cap was 1.51%.

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 Balance 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 \$10,800,401 between fiscal year 2015 and 2014. A summary of the District's Statements of Net Position follows. The June 30, 2014 net position has been increased by \$9,380,219 resulting from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. Additionally, the June 30, 2014 balances reflect net pension assets and liabilities and deferred outflows of resources in accordance with the new GASB statements.

	2015	As Restated 2014	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 36,780,331	\$ 33,892,485	\$ 2,887,846	8.52 %
Capital Assets, Net	44,072,331	45,134,509	(1,062,178)	(2.35)%
Net Pension Asset -				
Proportionate Share	37,244,550	2,342,569	34,901,981	1489.90 %
Total Assets	<u>118,097,212</u>	<u>81,369,563</u>	<u>36,727,649</u>	45.14 %
Deferred Outflows of Resources	<u>10,054,221</u>	<u>8,648,131</u>	<u>1,406,090</u>	16.26 %
Current and Other Liabilities	11,846,694	11,226,712	619,982	5.52 %
Long-Term Liabilities	20,582,650	23,917,322	(3,334,672)	(13.94)%
Net Other Postemployment				
Benefits Obligation	39,634,567	34,738,431	4,896,136	14.09 %
Net Pension Liability -				
Proportionate Share	<u>1,203,976</u>	<u>1,610,481</u>	<u>(406,505)</u>	(25.24)%
Total Liabilities	<u>73,267,887</u>	<u>71,492,946</u>	<u>1,774,941</u>	2.48 %
Deferred Inflows of Resources	<u>25,558,397</u>		<u>25,558,397</u>	100.00 %
Net Position				
Net Investment in Capital Assets	27,550,558	25,393,634	2,156,924	8.49 %
Restricted	15,177,496	14,852,778	324,718	2.19 %
Unrestricted (Deficit)	<u>(13,402,905)</u>	<u>(21,721,664)</u>	<u>8,318,759</u>	(38.30)%
Total Net Position	<u>\$ 29,325,149</u>	<u>\$ 18,524,748</u>	<u>\$ 10,800,401</u>	58.30 %

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

Current and other assets increased by \$2,887,846, as compared to the prior year. The increase is primarily evidenced by an increase in cash, due from state and accounts receivable.

Capital assets, net decreased by \$1,062,178, 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 9 "Capital Assets" provides additional information.

Net pension asset – proportionate share increased by \$34,901,981, 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 June 30, 2014, the measurement date.

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 increased by \$619,982, as compared to the prior year. This increase is primarily from increases in due to the teachers' retirement system and the short term portion of compensated absences payable offset by a decrease in accounts payable, accrued liabilities and due to other governments.

Long-term liabilities decreased by \$3,334,672, as compared to the prior year. This decrease is due to scheduled debt payments and a reduction in the workers' compensation liability, which were offset by an increase in the long-term portion of compensated absences.

Net other postemployment benefits (OPEB) obligation increased by \$4,896,136, 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 16 "Postemployment Benefits", provides additional information.

Net pension liability – proportionate share decreased by \$406,505 in the current year. This liability represents the District's share of the New York State Employees' Retirement System's collective net pension liability at March 31, 2015, the measurement date.

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:

	Increase (Decrease)
Capital asset additions	\$ 1,305,378
Principal debt reduction - payments	3,159,102
Principal debt reduction - advance refunding	60,000
Depreciation expense	(2,367,556)
	\$ 2,156,924

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

The restricted amount of \$15,177,496 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 \$324,718 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 and employee benefit accrued liability reserves.

The unrestricted (deficit) amount of \$(13,402,905) 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 \$8,318,759, 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 \$10,800,401 or 58.30%; \$29,325,149 at June 30, 2015, compared to \$18,524,748 at June 30, 2014.

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, 2015 and 2014 is as follows:

	2015	2014	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 2,134,381	\$ 1,857,585	\$ 276,796	14.90 %
Operating Grants	2,872,767	2,681,981	190,786	7.11 %
Capital Grants	274	5,380	(5,106)	(94.91)%
General Revenues				
Real Property Taxes and STAR	90,726,742	89,302,609	1,424,133	1.59 %
State Sources	25,850,533	25,180,007	670,526	2.66 %
Other	1,389,384	1,025,304	364,080	35.51 %
Total Revenues	<u>122,974,081</u>	<u>120,052,866</u>	<u>2,921,215</u>	2.43 %
Expenses				
General Support	13,798,451	14,980,966	(1,182,515)	(7.89)%
Instruction	89,334,862	96,673,304	(7,338,442)	(7.59)%
Pupil Transportation	6,747,498	6,109,794	637,704	10.44 %
Community Service	14,702	400	14,302	3575.50 %
Debt Service - Interest	596,974	788,991	(192,017)	(24.34)%
Food Service Program	1,681,193	1,208,827	472,366	39.08 %
Total Expenses	<u>112,173,680</u>	<u>119,762,282</u>	<u>(7,588,602)</u>	(6.34)%
Total Change in Net Position	<u>\$ 10,800,401</u>	<u>\$ 290,584</u>	<u>\$ 10,509,817</u>	3616.79 %

The District's net position increased by \$10,800,401 and \$290,584, for the years ended June 30, 2015 and 2014, respectively.

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

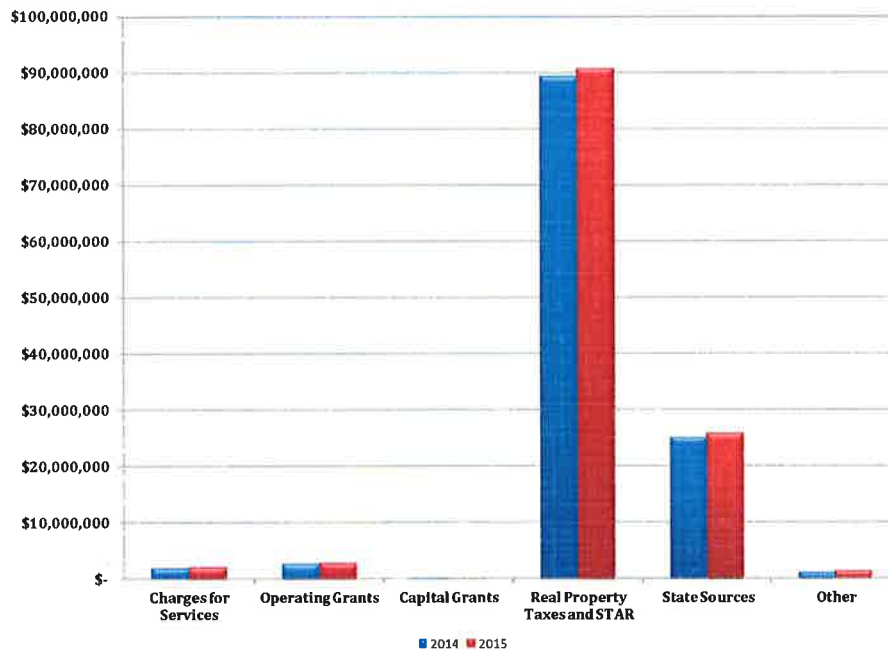
The District's revenues increased by \$2,921,215 or 2.43%. The major factors that contributed to the increase were:

- Real property taxes and STAR increased by \$1,424,133.
- State sources revenues increased by \$670,526, which primarily related to increases in basic formula aid and other state grants.
- Other revenue increased by \$364,080 due to increased property rentals, insurance recoveries and a refund for prior year BOCES services.

The District's expenses for the year decreased by \$7,588,602 or 6.34%. The major contributing factor to this decrease was a decrease in pension expense as a result of the implementation of GASB 68 and 71, which reduced expenses \$11,156,179. The 2014 summary of changes in net position was not restated as the changes from 2013 were not available.

As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized; 73.8% and 74.4% of the total for the years 2015 and 2014, respectively. Instruction expenses is the largest category of expenses incurred; 79.7% and 80.7% of the total for the years 2015 and 2014, respectively.

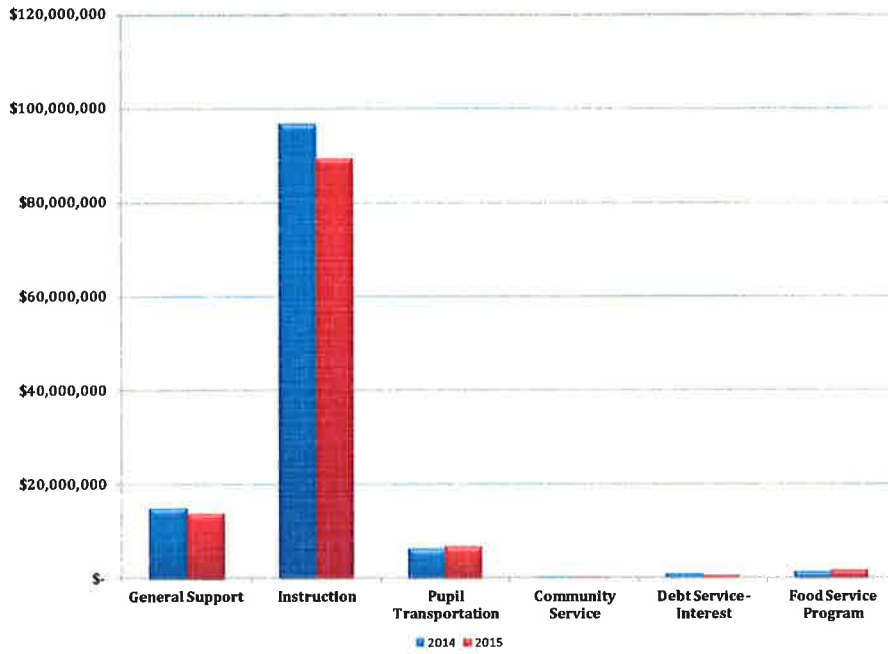
A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Capital Grants	Real Property Taxes and STAR	State Sources	Other
2014	1.5%	2.2%	0.0%	74.4%	21.0%	0.9%
2015	1.7%	2.3%	0.0%	73.8%	21.0%	1.2%

**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
2014	12.5%	80.7%	5.1%	0.0%	0.7%	1.0%
2015	12.3%	79.7%	6.0%	0.0%	0.5%	1.5%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2015, the District's governmental funds reported a combined fund balance of \$24,837,118, which is an increase of \$2,323,417 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:

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
General Fund			
Nonspendable: Prepaids	\$ 100,000	\$ 100,000	\$ -
Restricted:			
Workers' Compensation	3,143,509	3,061,306	82,203
Unemployment Insurance	351,102	401,530	(50,428)
Retirement Contribution	5,239,188	4,822,133	417,055
Employee Benefit Accrued Liability	2,321,615	2,553,042	(231,427)
Capital	3,023,494	3,012,531	10,963
Assigned:			
Appropriated Fund Balance	3,108,622	2,523,954	584,668
Unappropriated Fund Balance	456,029	354,979	101,050
Unassigned: Fund Balance	<u>4,918,861</u>	<u>3,843,264</u>	<u>1,075,597</u>
	<u>22,662,420</u>	<u>20,672,739</u>	<u>1,989,681</u>
 School Lunch Fund			
Nonspendable: Inventory	5,144	4,649	495
Assigned: Unappropriated Fund Balance	<u>433,959</u>	<u>409,711</u>	<u>24,248</u>
	<u>439,103</u>	<u>414,360</u>	<u>24,743</u>
 Debt Service Fund			
Restricted: Debt Service	<u>1,658</u>	<u>1,649</u>	<u>9</u>
 Capital Projects Fund			
Restricted: Capital	1,096,930	1,000,587	96,343
Assigned: Unappropriated Fund Balance	<u>637,007</u>	<u>424,366</u>	<u>212,641</u>
	<u>1,733,937</u>	<u>1,424,953</u>	<u>308,984</u>
 Total Fund Balance	 <u>\$ 24,837,118</u>	 <u>\$ 22,513,701</u>	 <u>\$ 2,323,417</u>

A. General Fund

The general fund - fund balance increased by \$1,989,681. This resulted from revenues in excess of expenditures. The District expects to appropriate \$3,000,000 from reserves during 2015-16.

B. School Lunch Fund

The net change in the school lunch fund - fund balance is an increase of \$24,743, which was the operating profit of the school lunch fund.

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

C. Debt Service Fund

Debt service fund – fund balance increase is related to interest earned on the cash balance.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of \$308,984, resulting from an interfund transfer from the general fund, less current year expenditures for on-going capital projects.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2014-2015 Budget

The District's general fund adopted budget for the year ended June 30, 2015 was \$121,993,915. This amount was increased by encumbrances carried forward from the prior year in the amount of \$354,979, plus budget revisions in the amount of \$1,848,095, for a total final budget of \$124,196,989.

The budget was funded through a combination of revenues and appropriated fund balance. The majority of this funding source was \$90,651,731 in estimated property taxes and STAR receipts, and \$25,218,230 in estimated state aid.

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	\$ 3,843,264
Revenues over budget	1,464,444
Expenditures and encumbrances under budget	6,978,651
Interest allocated to reserves	(30,758)
Net Allocation to reserves	(3,905,000)
Unused budgeted reserves	(323,118)
Appropriated to fund the June 30, 2016 Budget	<u>(3,108,622)</u>
Closing, unassigned fund balance	<u>\$ 4,918,861</u>

Opening, Unassigned Fund Balance

The \$3,843,264 shown in the table is the portion of the District's June 30, 2014 fund balance that was retained as unassigned. This was approximately 3.15% of the District's 2014-15 approved operating budget and is within the 4% fund balance permitted by law.

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

Revenues Over Budget

The 2014-2015 final budget for revenues including budget revisions was \$117,287,546. Actual revenues received for the year were \$118,751,990. The District's actual revenues were more than the amounts estimated by \$1,464,444 primarily in state sources (\$532,303), miscellaneous revenue (\$357,232), Medicaid reimbursement (\$155,657) and use of money and property (\$152,708).

Expenditures and Encumbrances under Budget

The 2014-2015 final budget for expenditures, including budget revisions and prior year open encumbrances as of June 30, 2014, was \$124,196,989. Actual expenditures as of June 30, 2015 were \$116,762,309 and outstanding encumbrances were \$456,029. Combined, the expenditures plus encumbrances for 2014-2015 were \$117,218,338. The final budget was under expended by \$6,978,651. The majority of this under expenditure was in the areas of central services, teaching regular school, programs for students with disabilities and employee benefits.

Interest Allocated to Reserves

This amount of \$(30,758) 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 \$3,905,000 and the return of unused appropriated reserves totaling \$323,118 to the reserves.

Appropriated Fund Balance

The District has chosen to use \$3,108,622 of the available June 30, 2015 unassigned fund balance to partially fund the 2015-16 approved operating budget. As such, the June 30, 2015 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, 2015 was \$4,918,861. This amount equals 3.95% of the 2015-16 budget and is within the 4% statutory limit.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2015, 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 \$2,367,556 in excess of capital additions of \$1,305,378 recorded for the year ended June 30, 2015. A summary of the District's capital assets, net of depreciation at June 30, 2015 and 2014 is as follows:

	2015	2014	Increase (Decrease)
Land	\$ 1,820,600	\$ 1,820,600	\$ -
Construction in progress	1,413,706	919,671	494,035
Buildings and improvements	40,116,155	41,600,183	(1,484,028)
Furniture and equipment	721,870	794,055	(72,185)
Capital assets, net	<u>\$ 44,072,331</u>	<u>\$ 45,134,509</u>	<u>\$ (1,062,178)</u>

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

A. Debt Administration

At June 30, 2015, the District had total bonds payable of \$15,355,000. 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 13 "Long-Term Liabilities" provides additional information. A summary of the outstanding bonds at June 30, 2015 and 2014 is as follows:

Issue Date	Interest Rate	2015	2014	Increase (Decrease)
November 2006	3.625%	\$ 790,000	\$ 7,020,000	\$ (6,230,000)
March 2009	2.500%	1,245,000	1,400,000	(155,000)
December 2011	2.00-3.00%	2,015,000	3,070,000	(1,055,000)
December 2011	2.00-4.00%	5,895,000	6,940,000	(1,045,000)
June 2015	2.00-4.00%	5,410,000		5,410,000
		<u>\$ 15,355,000</u>	<u>\$ 18,430,000</u>	<u>\$ (3,075,000)</u>

The District is also obligated under an installment purchase contract, which funded energy performance improvements completed in fiscal 2006. The outstanding balance is \$1,166,773.

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, 2015 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 19, 2015, for the year ending June 30, 2016, is \$124,433,793. This is an increase of \$2,439,878 or 2.0% from the previous year's budget. The increase is principally in employee salaries and related benefits.

The District budgeted revenues other than property taxes and STAR at a \$105,009 decrease from the prior year's estimate. Additionally, the District increased the amount of fund balance and reserves applied to fund the budget by \$1,284,668. A property tax increase of 1.39% was needed to meet the funding shortfall.

B. 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 2015-16 is 1.39%. The District's increase in the 2015-16 levy is compliant with the tax cap.

C. 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)**

D. Property Tax Freeze

Last year, New York State enacted a law to effectively “freeze” property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be 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 law was effective for school districts starting with the 2014-15 school year and qualifying homeowners received refund checks in the fall of 2014. This program provides an incentive for the District to be tax cap compliant.

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, 2015

ASSETS	
Cash	
Unrestricted	\$ 14,044,817
Restricted	15,177,496
Receivables	
Accounts receivable	672,256
Due from other funds	4,386
Due from state and federal	6,776,232
Prepays	100,000
Inventories	5,144
Capital assets not being depreciated	3,234,306
Capital assets being depreciated, net of accumulated depreciation	40,838,025
Net pension asset - proportionate share	<u>37,244,550</u>
 Total Assets	 <u>118,097,212</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>10,054,221</u>
 LIABILITIES	
Payables	
Accounts payable	1,696,792
Accrued liabilities	175,091
Due to other governments	579
Due to teachers' retirement system	9,211,836
Due to employees' retirement system	582,109
Compensated absences payable	123,133
Unearned credits	
Collections in advance	57,154
Long-term liabilities	
Due and payable within one year	
Bonds payable	3,115,000
Energy performance contract payable	149,347
Due and payable after one year	
Bonds payable	12,240,000
Energy performance contract payable	1,017,426
Compensated absences payable	2,468,060
Workers' compensation payable	1,592,817
Net other postemployment benefits obligation	39,634,567
Net pension liability - proportionate share	<u>1,203,976</u>
 Total Liabilities	 <u>73,267,887</u>
 DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>25,558,397</u>
 NET POSITION	
Net investment in capital assets	<u>27,550,558</u>
Restricted	
Workers' compensation	3,143,509
Unemployment insurance	351,102
Retirement contribution	5,239,188
Employee benefit accrued liability	2,321,615
Capital	4,120,424
Debt service	1,658
	<u>15,177,496</u>
Unrestricted (deficit)	<u>(13,402,905)</u>
 Total Net Position	 <u>\$ 29,325,149</u>

BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Grants & Contributions</u>		
			<u>Operating</u>		<u>Capital</u>
FUNCTIONS/PROGRAMS					
General support	\$ 13,798,451	\$ 150	\$ 3,296	\$ 274	\$ (13,794,731)
Instruction	89,334,862	681,239	2,617,853		(86,035,770)
Pupil transportation	6,747,498				(6,747,498)
Community service	14,702				(14,702)
Debt service - interest	596,974				(596,974)
Food service program	1,681,193	1,452,992	251,618		23,417
Total Functions/Programs	\$ 112,173,680	\$ 2,134,381	\$ 2,872,767	\$ 274	(107,166,258)
GENERAL REVENUES					
Real property taxes					77,461,674
Other tax items					13,386,165
Use of money and property					295,043
Sale of property and compensation for loss					181,770
Miscellaneous					635,817
State sources					25,850,533
Medicaid reimbursement					155,657
Total General Revenues					117,966,659
Change in Net Position					10,800,401
Total Net Position - Beginning of year, as restated					18,524,748
Total Net Position - End of year					\$ 29,325,149

BALDWIN UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2015

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 12,414,260	\$ 228,117	\$ 525,630	\$	\$ 876,810	\$ 14,044,817
Restricted	14,078,908			1,658	1,096,930	15,177,496
Receivables						
Accounts receivable	670,050		2,206			672,256
Due from other funds	2,200,872					2,200,872
Due from state and federal	5,049,158	1,695,317	26,103		5,654	6,776,232
Prepays	100,000					100,000
Inventories			5,144			5,144
Total Assets	\$ 34,513,248	\$ 1,923,434	\$ 559,083	\$ 1,658	\$ 1,979,394	\$ 38,976,817
LIABILITIES						
Payables						
Accounts payable	\$ 1,641,101	\$ 40,145	\$	\$	\$ 15,546	\$ 1,696,792
Accrued liabilities	89,576		989			90,565
Due to other funds		1,883,289	88,939		224,258	2,196,486
Due to other governments			579			579
Due to teachers' retirement system	9,211,836					9,211,836
Due to employees' retirement system	582,109					582,109
Compensated absences payable	123,133					123,133
Unearned credits						
Collections in advance	27,681		29,473			57,154
Total Liabilities	11,675,436	1,923,434	119,980	-	239,804	13,958,654
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	175,392	-	-	-	5,653	181,045
Total Deferred Inflows of Resources	175,392	-	-	-	5,653	181,045
FUND BALANCES						
Nonspendable:						
Prepays	100,000					100,000
Inventories			5,144			5,144
Restricted:						
Workers' compensation	3,143,509					3,143,509
Unemployment insurance	351,102					351,102
Retirement contribution	5,239,188					5,239,188
Employee benefit accrued liability	2,321,615					2,321,615
Capital	3,023,494				1,096,930	4,120,424
Debt service				1,658		1,658
Assigned:						
Appropriated fund balance	3,108,622					3,108,622
Unappropriated fund balance	456,029		433,959		637,007	1,526,995
Unassigned: Fund balance	4,918,861					4,918,861
Total Fund Balances	22,662,420	-	439,103	1,658	1,733,937	24,837,118
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 34,513,248	\$ 1,923,434	\$ 559,083	\$ 1,658	\$ 1,979,394	\$ 38,976,817

BALDWIN UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total Governmental Fund Balances		\$ 24,837,118
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>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.</p>		181,045
<p>The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.</p>		
Original cost of capital assets	\$ 85,691,794	
Accumulated depreciation	<u>(41,619,463)</u>	44,072,331
<p>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.</p>		
Net pension asset - teachers' retirement system	37,244,550	
Deferred outflows of resources	10,054,221	
Net pension liability - employees' retirement system	(1,203,976)	
Deferred inflows of resources	<u>(25,558,397)</u>	20,536,398
<p>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:</p>		
Accrued interest on bonds payable	(84,526)	
Bonds payable	(15,355,000)	
Energy performance contract payable	(1,166,773)	
Compensated absences payable	(2,468,060)	
Workers' compensation payable	(1,592,817)	
Net other postemployment benefits obligation	<u>(39,634,567)</u>	<u>(60,301,743)</u>
Total Net Position		<u>\$ 29,325,149</u>

BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2015

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 77,461,674	\$	\$	\$	\$	\$ 77,461,674
Other tax items	13,386,165					13,386,165
Charges for services	783,220					783,220
Use of money and property	293,708		1,326	9		295,043
Forfeitures	150					150
Sale of property and compensation for loss	181,770					181,770
Miscellaneous	635,817					635,817
State sources	25,850,533	899,853	10,731			26,761,117
Medicaid reimbursement	155,657					155,657
Federal sources	3,296	1,718,000	240,887			1,962,183
Sales - school lunch			1,452,992			1,452,992
Total Revenues	118,751,990	2,617,853	1,705,936	9	-	123,075,788
EXPENDITURES						
General support	11,611,287			112,694		11,723,981
Instruction	67,327,853	2,752,220				70,080,073
Pupil transportation	6,499,198	200,310				6,699,508
Community service	10,981	275				11,256
Employee benefits	25,623,108		130,878			25,753,986
Debt service						
Principal				3,159,102		3,159,102
Interest				703,128		703,128
Cost of sales			1,550,315			1,550,315
Capital outlay					1,183,716	1,183,716
Total Expenditures	111,072,427	2,952,805	1,681,193	3,974,924	1,183,716	120,865,065
Excess (Deficiency) of Revenues Over Expenditures	7,679,563	(334,952)	24,743	(3,974,915)	(1,183,716)	2,210,723
OTHER FINANCING SOURCES AND (USES)						
Proceeds of debt				5,410,000		5,410,000
Premium on obligations				281,323		281,323
Payment to escrow agent				(5,578,629)		(5,578,629)
Operating transfers in		334,952		3,862,230	1,492,700	5,689,882
Operating transfers (out)	(5,689,882)					(5,689,882)
Total Other Financing Sources and (Uses)	(5,689,882)	334,952	-	3,974,924	1,492,700	112,694
Net Change in Fund Balances	1,989,681	-	24,743	9	308,984	2,323,417
Fund Balances - Beginning of year	20,672,739		414,360	1,649	1,424,953	22,513,701
Fund Balances - End of year	\$ 22,662,420	\$ -	\$ 439,103	\$ 1,658	\$ 1,733,937	\$ 24,837,118

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, 2015

Net Change in Fund Balances \$ 2,323,417

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 \$ (101,707)

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in workers' compensation liability 230,382

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 (114,812)
Increase in net other postemployment benefits obligation (4,896,136)

(4,882,273)

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 1,305,378
Depreciation expense (2,367,556)

(1,062,178)

Long-Term Debt Transaction Differences

Proceeds from the issuance of refunding bonds is an other funding source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

(5,410,000)

Amortization of deferred amount on refunding

(108,629)

Payment to escrow agent is an expenditure in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

5,578,629

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 3,015,000
Repayment of energy performance contract payable 144,102

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, 2014 to June 30, 2015.

46,154

3,265,256

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 10,420,710
Employees' retirement system 735,469

11,156,179

Change in Net Position

\$ 10,800,401

BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2015

	Agency	Private Purpose Trust
ASSETS		
Cash	\$ 581,326	\$ 76,965
Accounts receivable	36,539	
Total Assets	\$ 617,865	76,965
 LIABILITIES		
Extraclassroom activity balances	\$ 147,820	
Due to other funds	4,386	
Other liabilities	465,659	
Total Liabilities	\$ 617,865	-
 NET POSITION		
Restricted for scholarships		\$ 76,965

BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2015

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 36,925
Interest	189
Total Additions	37,114
 DEDUCTIONS	
Scholarships and awards	33,142
Change in Net Position	3,972
Net Position - Beginning of year	72,993
Net Position - End of Year	\$ 76,965

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 the capital grants column reflects 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, contributions, and other revenues 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. There are two classes of 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, 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 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. 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 prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position and Balance Sheet using the consumption method.

Under the consumption method, a current asset for the prepaid item is recorded at the time of 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/expenditure) 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 period(s) 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. Vested 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.

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 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.

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,

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

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. CHANGES IN ACCOUNTING PRINCIPLES

GASB Statements No. 68 and 71

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The implementation of the Statements requires the District to report as an asset and/or liability its portion of the collective net pension asset and/or liability in the New York State Teachers' and Employees' Retirement Systems. The implementation of the Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as deferred outflows, are the District's contributions to the pension systems subsequent to the measurement date.

3. 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.

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

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

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

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 and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

4. 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.

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

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:

Miscellaneous donations	\$ 17,585
State and local grants	100,000
Appropriation of the EBLAR reserve for retirements	237,810
Capital reserve transfer	<u>1,492,700</u>
	<u>\$ 1,848,095</u>

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.

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.

5. 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.

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

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.

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities and/or letters of credit 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.

6. PARTICIPATION IN BOCES

During the year ended June 30, 2015, the District was billed \$8,327,381 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,450,488. 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.

7. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015, are as follows:

	Fund		Total
	General	School Lunch	
Accounts receivable	\$ 670,050	\$ 2,206	\$ 672,256

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.

8. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2015 consists of:

General Fund	
New York State Aid	\$ 1,031,410
BOCES	774,728
Medicaid	53,605
County of Nassau	3,189,415
	5,049,158
Special Aid Fund	
Federal and state grants	1,695,317
School Lunch Fund	
Federal and state food service program reimbursements	26,103
Capital Fund	
State EXCEL grant	5,654
	\$ 6,776,232

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

9. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,820,600	\$	\$	\$ 1,820,600
Construction in progress	919,671	1,055,038	(561,003)	1,413,706
Total capital assets not being depreciated	<u>2,740,271</u>	<u>1,055,038</u>	<u>(561,003)</u>	<u>3,234,306</u>
Capital assets being depreciated				
Buildings and improvements	79,161,223	738,765	(396,527)	79,503,461
Furniture and equipment	5,034,276	72,578	(2,152,827)	2,954,027
Total capital assets being depreciated	<u>84,195,499</u>	<u>811,343</u>	<u>(2,549,354)</u>	<u>82,457,488</u>
Less accumulated depreciation for:				
Buildings and improvements	37,561,040	2,222,793	(396,527)	39,387,306
Furniture and equipment	4,240,221	144,763	(2,152,827)	2,232,157
Total accumulated depreciation	<u>41,801,261</u>	<u>2,367,556</u>	<u>(2,549,354)</u>	<u>41,619,463</u>
Total capital assets being depreciated, net	<u>42,394,238</u>	<u>(1,556,213)</u>	<u>-</u>	<u>40,838,025</u>
Capital assets, net	<u>\$ 45,134,509</u>	<u>\$ (501,175)</u>	<u>\$ (561,003)</u>	<u>\$ 44,072,331</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 216,027
Instruction	<u>2,151,529</u>
	<u>\$ 2,367,556</u>

10. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2015, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 2,200,872	\$	\$	\$ 5,689,882
Special Aid Fund		1,883,289	334,952	
School Lunch Fund		88,939		
Debt Service Fund			3,862,230	
Capital Projects Fund		224,258	1,492,700	
Total Governmental Funds	<u>2,200,872</u>	<u>2,196,486</u>	<u>5,689,882</u>	<u>5,689,882</u>
Fiduciary Fund	#REF!	4,386		
Total	<u>#REF!</u>	<u>\$ 2,200,872</u>	<u>\$ 5,689,882</u>	<u>\$ 5,689,882</u>

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. The transfer to the capital projects fund was a voter approved use of the capital reserve.

11. UNAVAILABLE REVENUES

Unavailable revenues in the amount of \$181,045 consists of uncollected foster tuition billings from school districts, an uncollected legal settlement and future EXCEL aid.

12. SHORT-TERM DEBT

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

13. LONG-TERM LIABILITIES

A. Changes

Pension costs following table summarizes the changes in governmental activities in long-term liabilities, excluding other postemployment benefits obligations, for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 18,430,000	\$	\$ (3,075,000)	\$ 15,355,000	\$ 3,115,000
Energy performance contract	1,310,875		(144,102)	1,166,773	149,347
Other long-term liabilities:					
Compensated absences	2,353,248	114,812		2,468,060	
Workers' compensation	1,823,199	395,068	(625,450)	1,592,817	
	<u>\$ 23,917,322</u>	<u>\$ 509,880</u>	<u>\$ (3,844,552)</u>	<u>\$ 20,582,650</u>	<u>\$ 3,264,347</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, 2015
Serial Bonds	11/1/2006	11/1/2015	3.625%	\$ 790,000
Serial Bonds	3/1/2009	11/1/2021	2.500%	1,245,000
Refunding Bonds	12/29/2011	9/1/2017	2.00-3.00%	2,015,000
Refunding Bonds	12/19/2011	6/15/2020	2.00-4.00%	5,895,000
Refunding Bonds	6/4/2015	11/1/2021	2.00-4.00%	5,410,000
				<u>\$ 15,355,000</u>

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 3,115,000	\$ 475,849	\$ 3,590,849
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 - 2022	2,280,000	53,800	2,333,800
Total	<u>\$ 15,355,000</u>	<u>\$ 1,533,274</u>	<u>\$ 16,888,274</u>

C. Energy Performance Contract

Energy performance contract is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2015
Energy performance contract	9/30/2005	9/30/2021	5.822%	<u>\$ 1,166,773</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 149,347	\$ 42,471	\$ 191,818
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 - 2022	363,662	19,974	383,636
Total	<u>\$ 1,166,773</u>	<u>\$ 175,949</u>	<u>\$ 1,342,722</u>

On June 4, 2015, the District issued \$5,410,000 in general obligation bonds with an average interest rate of 2.53% to advance refund \$5,470,000 of outstanding serial bonds that bear an interest rate of 4.00%. The net proceeds of \$5,578,629 (including a borrowing premium of \$281,323 and after payment of \$112,694 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$404,089. The outstanding principal of the refunded bonds is \$5,470,000 at June 30, 2015 and will be callable on November 1, 2015.

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

D. Interest Expense

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

Interest paid	\$ 703,128
Less interest accrued in the prior year	(130,680)
Plus interest accrued in the current year	84,526
Less amortization of deferred amounts on refunding	<u>(60,000)</u>
Total interest expense on long-term debt	<u>\$ 596,974</u>

14. 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.nystrs.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 sole trustee and 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 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 salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the fiscal year ended June 30. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS' fiscal year ending March 31.

The District contributions made to the systems were equal to 100% of the contributions required for each year. The District's share of the required contributions for the current year and two preceding years were:

Year	TRS	ERS
2015	\$ 8,823,241	\$ 1,845,511
2014	8,157,569	2,072,626
2013	6,614,456	2,071,008

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

At June 30, 2015, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2014, for TRS and March 31, 2015 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
Actuarial valuation date	June 30, 2013	April 1, 2014
Net pension asset/(liability)	\$ 37,244,550	\$ (1,203,976)
District's portion of the Plan's total net pension asset/(liability)	0.3343500%	0.0356391%

For the year ended June 30, 2015, the District recognized pension expense (credit) of \$(1,597,469) for TRS and \$1,110,042 for ERS. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<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	\$	\$ 38,541	\$ 544,633	\$
Net difference between projected and actual earnings on pension plan investments		209,115	25,013,762	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	126,936	121,657		
District's contributions subsequent to the measurement date	<u>8,975,863</u>	<u>582,109</u>		
Total	<u>\$ 9,102,799</u>	<u>\$ 951,422</u>	<u>\$ 25,558,395</u>	<u>\$ -</u>

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

<u>Year Ended</u>	<u>TRS</u>	<u>ERS</u>
2016	\$ (6,302,010)	\$ 92,328
2017	(6,302,010)	92,328
2018	(6,302,010)	92,328
2019	(6,302,010)	92,329
2020	(48,569)	
Thereafter	<u>(174,850)</u>	
	<u>\$ (25,431,459)</u>	<u>\$ 369,313</u>

Actuarial Assumptions

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2014	March 31, 2015
Actuarial valuation date	June 30, 2013	April 1, 2014
Interest rate	8.0%	7.5%
Salary scale	4.01-10.91%	4.9%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2005 - March 31, 2010 System's Experience
Inflation rate	3.0%	2.7%

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

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

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

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.

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, 2014		March 31, 2015
Asset type				
Domestic equity	37.0%	7.30%	38.0%	7.30%
International equity	18.0%	8.50%	13.0%	8.55%
Real estate	10.0%	5.00%	8.0%	8.25%
Alternative investments	7.0%	11.00%	19.0%	6.75-11.00%
Domestic fixed income securities	18.0%	1.50%		
Global fixed income securities	2.0%	1.40%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term		0.80%		
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 7.5% for ERS. 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.

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

Sensitivity of the Proportionate Share of the Net Pension 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 7.5% 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 6.5% for ERS) or 1 percentage point higher (9.0% for TRS and 8.5% for ERS) than the current rate:

TRIS	1% Decrease (7.00)%	Current Assumption (8.00)%	1% Increase (9.00)%
District's proportionate share of the net pension asset (liability)	\$ 803,417	\$ 37,244,550	\$ 68,297,457
ERS	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
District's proportionate share of the net pension asset (liability)	\$ (8,025,022)	\$ (1,203,976)	\$ 4,554,678

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:

	TRIS	ERS	Total
	<i>(Dollars in Thousands)</i>		
Measurement date	June 30, 2014	March 31, 2015	
Employers' total pension liability	\$ (97,015,707)	\$ (164,591,504)	\$ (261,607,211)
Plan fiduciary net position	108,155,083	161,213,259	269,368,342
Employers' net pension asset/(liability)	\$ 11,139,376	\$ (3,378,245)	\$ 7,761,131
Ratio of plan fiduciary net position to the employers' total pension liability	111.48%	97.95%	102.97%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2015, are paid to the System in September, October and November 2015 through a state aid intercept. Accrued retirement contributions as of June 30, 2015, represent employer and employee contributions for the fiscal year ended June 30, 2015, based on paid TRS 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, 2015 amounted to \$8,975,864 of employer contributions and \$235,972 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, 2015, represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to \$582,109 of employer contributions. Employee contributions are remitted monthly.

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

15. 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 employees for the year ended June 30, 2015, totaled \$3,212,387.

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, 2015 totaled \$485,905.

16. POSTEMPLOYMENT 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, 2015, the District recognized a general fund expenditure of approximately \$2,500,000 for insurance premiums for 416 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)	\$ 7,970,346
Interest on net OPEB obligation	1,389,537
Adjustment to ARC	<u>(1,932,060)</u>
Annual OPEB cost (expense)	7,427,823
Contribution made	<u>(2,531,687)</u>
Increase in net OPEB obligation	4,896,136
Net OPEB obligation - beginning of year	<u>34,738,431</u>
Net OPEB obligation - end of year	<u>\$ 39,634,567</u>

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

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, 2015 and the two preceding years are as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 7,427,823	34.08%	\$ 39,634,567
June 30, 2014	7,506,785	32.65%	34,738,431
June 30, 2013	8,285,136	29.27%	29,682,402

D. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$85,076,140 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$85,076,140. The covered payroll (annual payroll of active employees covered by the plan) was \$56,305,997, and the ratio of the UAAL to the covered payroll was 151.1%.

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

The valuation of August 1, 2014, is an update derived from estimates from the previous valuation dated July 1, 2013, based on the fact that there were no material changes to any of the benefit packages, and of the cost sharing structures or the census.

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, 2013 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 10.0% initially, reduced by decrements to an ultimate rate of 5.0% after 10 years. The UAAL is being amortized using the level dollar method.

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

17. 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:

	2015	2014
Unpaid claims at beginning of year	\$ 1,823,199	\$ 2,221,945
Incurred claims and adjustments	395,068	408,722
Claim payments	(625,450)	(807,468)
Unpaid claims at year end	\$ 1,592,817	\$ 1,823,199

18. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2015 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2016:

Retirement contribution	\$ 2,200,000
Workers' compensation	700,000
Unemployment	100,000
	\$ 3,000,000

19. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$3,108,622 has been appropriated to reduce taxes for the year ending June 30, 2016.

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

20. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the District implemented GASB Statements No. 68 and 71. The implementation of Statements No. 68 and 71 resulted in the reporting of an asset, deferred outflow of resources and liability related to the District's participation in the New York State Teachers' and Employees' Retirement Systems. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	<u>\$</u>	9,144,529
GASB Statements No. 68 and 71 implementation		
Beginning system asset - teachers' retirement system		2,342,569
Beginning system liability - employees' retirement system		(1,610,481)
Beginning deferred outflow of resources for contributions subsequent to the measurement date		<u>8,648,131</u>
		<u>9,380,219</u>
Net position beginning of year, as restated	<u>\$</u>	<u>18,524,748</u>

21. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2015, the District encumbered the following amounts as assigned unappropriated fund balance:

General Fund		
General Support	\$	333,663
Instruction		<u>122,366</u>
		456,029
Capital Projects Fund		
Capital projects		<u>187,015</u>
	<u>\$</u>	<u>643,044</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 \$358,602. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 316,531
2017	238,608
2018	<u>130,156</u>
	<u>\$ 685,295</u>

22. SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 22, 2015, 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, 2015

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 76,651,731	\$ 77,386,663	\$ 77,461,674	\$ 75,011
Other tax items	14,150,000	13,415,068	13,386,165	(28,903)
Charges for services	665,000	665,000	783,220	118,220
Use of money and property	141,000	141,000	293,708	152,708
Forfeitures			150	150
Sale of property and compensation for loss	83,000	83,000	181,770	98,770
Miscellaneous	261,000	278,585	635,817	357,232
Total Local Sources	91,951,731	91,969,316	92,742,504	773,188
State Sources	25,218,230	25,318,230	25,850,533	532,303
Medicaid Reimbursement			155,657	155,657
Federal Sources			3,296	3,296
Total Revenues	117,169,961	117,287,546	118,751,990	\$ 1,464,444
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	2,523,954	2,523,954		
Prior Year's Encumbrances	354,979	354,979		
Appropriated Reserves	2,300,000	4,030,510		
Total Appropriated Fund Balance	5,178,933	6,909,443		
Total Revenues and Appropriated Fund Balance	\$ 122,348,894	\$ 124,196,989		

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, 2015

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 97,770	\$ 100,052	\$ 81,630	\$	\$ 18,422
Central administration	299,700	475,732	469,380		6,352
Finance	1,127,366	1,157,502	1,027,918	44,875	84,709
Staff	919,677	952,299	869,021	11,500	71,778
Central services	8,990,732	9,134,445	7,834,559	277,288	1,022,598
Special items	1,375,312	1,335,329	1,328,779		6,550
Total General Support	12,810,557	13,155,359	11,611,287	333,663	1,210,409
Instruction					
Administration & improvement	4,146,696	4,965,462	4,929,276	713	35,473
Teaching - regular school	40,698,765	38,919,015	37,765,564	89,646	1,063,805
Programs for students with disabilities	16,217,073	16,566,018	15,872,475	9,974	683,569
Occupational education	1,476,460	1,440,460	1,439,148		1,312
Teaching - special schools	221,425	203,499	190,956		12,543
Instructional media	1,981,322	1,978,859	1,748,619	21,600	208,640
Pupil services	5,139,931	5,650,071	5,381,815	433	267,823
Total Instruction	69,881,672	69,723,384	67,327,853	122,366	2,273,165
Pupil Transportation	5,090,725	6,521,631	6,499,198		22,433
Community service	15,105	15,105	10,981		4,124
Employee Benefits	30,342,740	29,080,715	25,623,108		3,457,607
Total Expenditures	118,140,799	118,496,194	111,072,427	456,029	6,967,738
OTHER USES					
Operating transfers out	4,208,095	5,700,795	5,689,882		10,913
Total Expenditures and Other Uses	\$ 122,348,894	\$ 124,196,989	116,762,309	\$ 456,029	\$ 6,978,651
Net Change in Fund Balances			1,989,681		
Fund Balances - Beginning of Year			20,672,739		
Fund Balances - End of Year			\$ 22,662,420		

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, 2015

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, 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%
July 1, 2009	-	82,734,998	82,734,998	0.0%	63,601,582	130.1%

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
June 30, 2015

Teachers' Retirement System

	2015
District's proportion of the net pension asset	0.3343500%
District's proportionate share of the net pension asset	\$ 37,244,550
District's covered employee payroll	\$ 49,612,198
District's proportionate share of the net pension asset as a percentage of its covered employee payroll	75.10%
Plan fiduciary net position as a percentage of the total pension asset	111.48%

Employees' Retirement System

	2015
District's proportion of the net pension liability	0.0356391%
District's proportionate share of the net pension liability	\$ 1,203,976
District's covered employee payroll	\$ 10,509,352
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	11.50%
Plan fiduciary net position as a percentage of the total pension liability	97.95%

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of District Contributions
June 30, 2015

Teachers' Retirement System

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 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	\$ 2,964,643
Contributions in relation to the contractually required contribution	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	2,964,643
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$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	\$42,896,376
Contributions as a percentage of covered employee payroll	17%	16%	13%	10%	6%	6%	8%	10%	9%	7%

Employees' Retirement System

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 1,845,511	\$ 2,072,626	\$ 2,071,008	\$ 1,577,001	\$ 1,174,344	\$ 766,427	\$ 831,370	\$ 913,582	\$ 953,487	\$ 1,028,301
Contributions in relation to the contractually required contribution	1,845,511	2,072,626	2,071,008	1,577,001	1,174,344	766,427	831,370	913,582	953,487	1,028,301
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$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	\$ 9,338,978
Contributions as a percentage of covered employee payroll	17%	20%	20%	15%	10%	7%	8%	9%	9%	11%

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, 2015

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 121,993,915
Additions:		
Prior year's encumbrances		<u>354,979</u>
Original Budget		122,348,894
Budget revisions		<u>1,848,095</u>
Final Budget		<u><u>\$ 124,196,989</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2015-16 voter-approved expenditure budget		<u>\$ 124,433,793</u>
Maximum allowed (4% of 2015-16 budget)		<u><u>\$ 4,977,352</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 3,564,651	
Unassigned fund balance	<u>4,918,861</u>	
		\$ 8,483,512
Less:		
Appropriated fund balance	3,108,622	
Encumbrances	<u>456,029</u>	
Total adjustments		<u>3,564,651</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 4,918,861</u></u>
Actual Percentage		3.95%

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures -
Capital Projects Fund
For The Year Ended June 30, 2015

PROJECT TITLE	Budget June 30, 2014	Budget June 30, 2015	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2015	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
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	1,003,604	123,252	1,126,856	907			1,127,763	1,127,763	907
2013-2014 Capital Reserve Projects	1,442,259	1,442,259	47,687	1,017,491	1,065,178	377,081	220,196		1,222,063	1,442,259	377,081
2014-2015 Capital Reserve Projects		1,492,700		42,973	42,973	1,449,727			1,492,700	1,492,700	1,449,727
Totals	<u>\$ 3,222,932</u>	<u>\$ 4,715,632</u>	<u>\$ 1,563,195</u>	<u>\$ 1,183,716</u>	<u>\$ 2,746,911</u>	<u>\$ 1,968,721</u>	<u>\$ -</u>	<u>\$ 220,196</u>	<u>\$ 4,495,436</u>	<u>\$ 4,715,632</u>	1,968,721
									Interfund transfer of 1999 bond project		(14,589)
									State aid not yet received		(220,195)
											<u>\$ 1,733,937</u>

BALDWIN UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2015

Capital assets, net	<u>\$ 44,072,331</u>
Deduct:	
Short-term portion of bonds payable	(3,115,000)
Long-term portion of bonds payable	(12,240,000)
Short-term portion of energy performance contract payable	(149,347)
Long-term portion of energy performance contract payable	<u>(1,017,426)</u>
Net investment in capital assets	<u>\$ 27,550,558</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, 2015, 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 22, 2015.

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 22, 2015.

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.

Cullin & Danowski, LLP

September 22, 2015

