

BYRAM HILLS CENTRAL SCHOOL DISTRICT
ARMONK, NEW YORK
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2017

BYRAM HILLS CENTRAL SCHOOL DISTRICT
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NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Byram Hills Central School District
Armonk, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and fiduciary funds of the Byram Hills Central School District (the "District"), as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 fiduciary funds of the Byram Hills Central School District, as of June 30, 2017, 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.

NawrockiSmith

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, on pages 3-13, and 43-48, 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 Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melville, New York
October 10, 2017



BYRAM HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The following is a discussion and analysis of the Byram Hills Central School District's (the "District") financial performance for the fiscal year ended June 30, 2017. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- On the District-wide financial statement, the assets of the District exceeded liabilities by \$46,116,542. A detailed explanation of this total Net Position and its change from the previous year is presented in the "Financial Analysis of the District As a Whole" section (see pages 5-9).
- The District's governmental activities' expenses, on the full accrual basis of accounting, for the year, totaled \$92,744,368. Of this amount, \$2,931,597 was offset by program charges for services, operating grants and capital grants and contributions. General revenues of \$87,226,553 amount to 96.7% of total revenues.
- The General Fund's total fund balance, as reflected in the fund financial statements, was \$27,363,174, which is an increase of \$784,452 (see pages 16 and 18). New York State Law limits the amount of unassigned fund balance that can be retained by the General Fund to 4% of the subsequent year's budget. At the end of the 2016/2017 fiscal year, the unassigned fund balance of the General Fund was \$3,623,609 (4% of the 2017/2018 budget) and this amount was within the statutory limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of financial statements that present different views of the District:

- The first two financial statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining financial statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide financial statements.
 - The *governmental funds financial statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
 - The *Fiduciary fund financial statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Table A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the financial statements.

Table A-1: Major Features of the District-Wide and Fund Financial Statements

| | District-Wide Financial Statements | Fund Financial Statements | |
|--|--|---|---|
| | | Governmental Funds | Fiduciary Fund |
| Scope | Entire District (except fiduciary fund) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activity monies |
| Required financial statements | <ul style="list-style-type: none"> Statement of Net Position Statement of Activities | <ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balance | <ul style="list-style-type: none"> Statement of Fiduciary Net Position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus |
| Type of asset/deferred outflows of resources/liability/deferred inflows of resources information | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term | Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid |

District-Wide Financial Statements

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide financial statements report the District's *net position* and how it has changed. *Net position* - the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial status is improving or deteriorating, respectively.

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are shown as *governmental activities*. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements

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

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

The District has two kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, reconciliations of the District-wide and governmental funds financial statements are provided which explain the relationship (or differences) between them.
- **Fiduciary fund:** The District is the trustee or fiduciary, for assets that belong to others, such as the scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position decreased by 5.3% from the year before to \$46,116,542, as detailed in Tables A-2 and A-3.

The restricted net position of \$21,099,183 represents assets that are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

As of June 30, 2017, the District has an unrestricted net deficit position of (\$19,458,589). This deficit is primarily driven by the District's proportionate share of the net pension liability of \$5,572,216, as well as the net other post-employment benefit obligation of \$44,912,034 (see Note 8 and 10 to the accompanying financial statements). This obligation will continue to grow into the future (see Note 13 to the accompanying financial statements).

Table A-2: Condensed Statement of Net Position - Governmental Activities

| | <u>6/30/17</u> | <u>6/30/16</u> | <u>\$ Change</u> | <u>% Change</u> |
|----------------------------------|-----------------------|-----------------------|------------------------|-----------------|
| Current and other assets | \$ 36,629,474 | \$ 57,994,970 | \$ (21,365,496) | (36.8) |
| Capital assets, net | <u>75,097,453</u> | <u>78,248,083</u> | <u>(3,150,630)</u> | (4.0) |
| Total assets | <u>\$ 111,726,927</u> | <u>\$ 136,243,053</u> | <u>\$ (24,516,126)</u> | (18.0) |
| Deferred outflows of resources | <u>\$ 27,287,405</u> | <u>\$ 12,762,477</u> | <u>\$ 14,524,928</u> | 113.8 |
| Current liabilities | \$ 13,186,858 | \$ 7,357,562 | \$ 5,829,296 | 79.2 |
| Long-term liabilities | <u>78,421,618</u> | <u>84,576,407</u> | <u>(6,154,789)</u> | (7.3) |
| Total liabilities | <u>\$ 91,608,476</u> | <u>\$ 91,933,969</u> | <u>\$ (325,493)</u> | (0.4) |
| Deferred inflows of resources | <u>\$ 1,289,314</u> | <u>\$ 8,368,801</u> | <u>\$ (7,079,487)</u> | (84.6) |
| Net position: | | | | |
| Net investment in capital assets | \$ 44,475,948 | \$ 42,573,018 | \$ 1,902,930 | 4.5 |
| Restricted | 21,099,183 | 17,498,250 | 3,600,933 | 20.6 |
| Unrestricted (deficit) | <u>(19,458,589)</u> | <u>(11,368,508)</u> | <u>(8,090,081)</u> | (71.2) |
| Total net position | <u>\$ 46,116,542</u> | <u>\$ 48,702,760</u> | <u>\$ (2,586,218)</u> | (5.3) |

As of June 30, 2017, the District had positive working capital of \$25,514,616 as compared to \$50,637,408 as of June 30, 2016, generally consistent with the prior year. The decrease is mainly due to a decrease in the proportionate share of the net pension asset for Teachers' Retirement System.

The District's deferred outflows of resources increased \$14,524,928 due to an increase in the proportionate share of pension related items as a result of changes in actuarial assumptions. The New York State Teachers' Retirement System decreased their discount rate to 7.5% from 8.0% thereby causing an increase in the proportionate share of the net pension liability and an increase in the outflows to be amortized in the future.

Long-term liabilities decreased \$4,082,789 due to the current year debt service payments of \$4,980,000.

Changes in Net Position

The District's revenues on the full accrual basis of accounting increased \$768,748 or 0.9% to \$90,158,150 (See Table A-3). Property, other tax items and non-property tax items and State sources accounted for most of the District's revenue by contributing 91 cents and 5 cents, respectively, of every dollar raised (See Table A-4). The remainder came from fees charges for services, operating grants and other miscellaneous sources.

- Real property taxes increased \$529,542, or 0.7%, as a result of the budgeted increase in the tax levy in fiscal 2017.

The District's expenses on the full accrual basis of accounting increased \$8,987,982, or 10.7% (See Table A-3). These expenses (84 percent) are predominantly related to general instruction and transporting students (See Table A-6). The District's administrative and business activities accounted for 13 percent of total costs.

- Expenses related to instruction increased \$10,852,723, mainly due to a budgeted increase in spending for planned repairs and maintenance items, general contractual increases in personnel costs, as well as current year depreciation charges exceeding capital outlay.

Table A-3: Changes in Net Position from Operating Results - Governmental Activities Only

| | <u>6/30/17</u> | <u>6/30/16</u> | <u>\$ Change</u> | <u>% Change</u> |
|--|-----------------------|---------------------|-----------------------|-----------------|
| Revenues | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 1,966,574 | \$ 1,441,814 | \$ 524,760 | 36.4 |
| Operating grants | 965,023 | 1,706,835 | (741,812) | (43.5) |
| General revenues: | | | | |
| Real property taxes | 74,842,147 | 74,312,605 | 529,542 | 0.7 |
| Other tax items | 6,943,399 | 6,931,728 | 11,671 | 0.2 |
| Non-property tax items | 608,041 | 599,754 | 8,287 | 1.4 |
| State sources | 4,255,836 | 3,914,662 | 341,174 | 8.7 |
| Use of money and property | 82,085 | 8,846 | 73,239 | 827.9 |
| Sale of property and compensation for loss | 60,671 | 55,332 | 5,339 | 9.6 |
| Miscellaneous | 434,374 | 417,826 | 16,548 | 4.0 |
| Total revenues | <u>90,158,150</u> | <u>89,389,402</u> | <u>768,748</u> | 0.9 |
| Expenses | | | | |
| General support | 11,890,797 | 13,953,029 | (2,062,232) | (14.8) |
| Instruction | 72,973,491 | 62,120,768 | 10,852,723 | 17.5 |
| Pupil transportation | 5,342,247 | 5,165,548 | 176,699 | 3.4 |
| Debt service - interest | 1,191,698 | 1,428,622 | (236,924) | (16.6) |
| School lunch program | 1,346,135 | 1,088,419 | 257,716 | 23.7 |
| Total expenses | <u>92,744,368</u> | <u>83,756,386</u> | <u>8,987,982</u> | 10.7 |
| Increase (decrease) in net position | <u>\$ (2,586,218)</u> | <u>\$ 5,633,016</u> | <u>\$ (8,219,234)</u> | (145.9) |

Table A-4: Revenues for Fiscal Year 2017

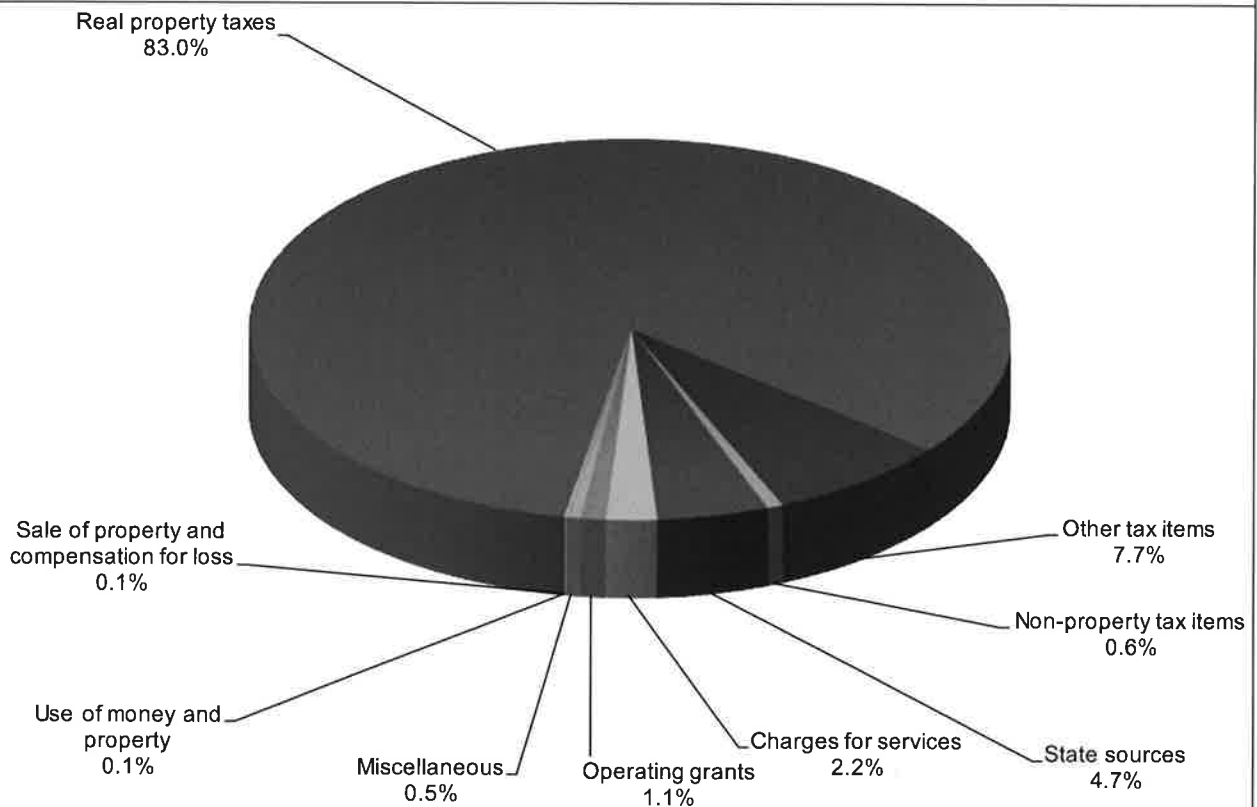


Table A-5: Revenues for Fiscal Year 2016

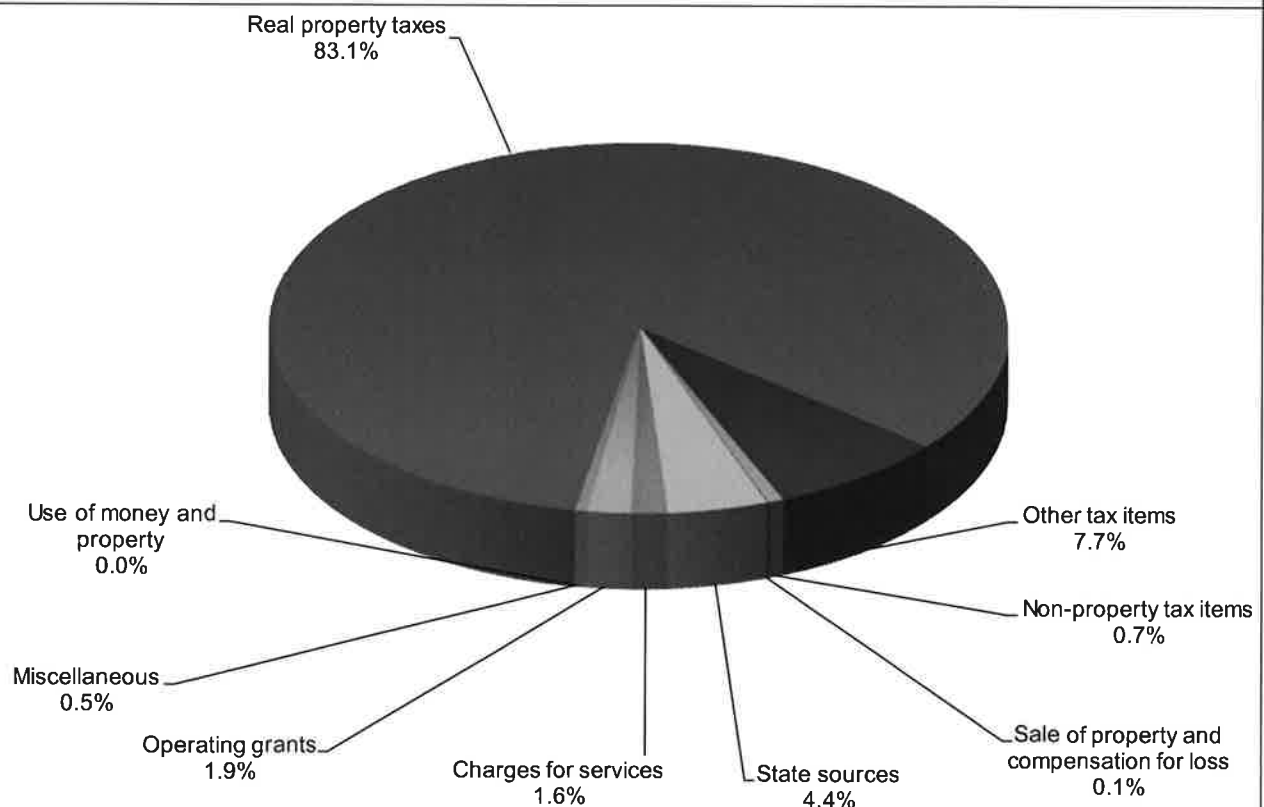


Table A-6: Expenses for Fiscal Year 2017

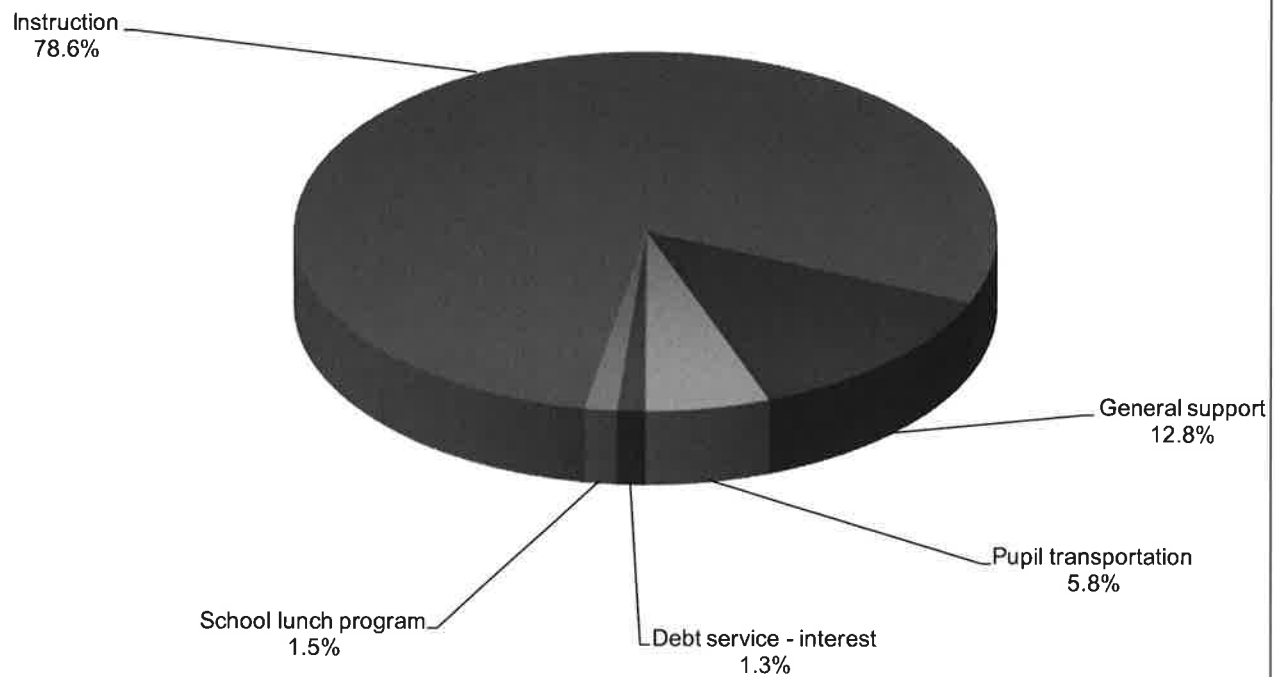
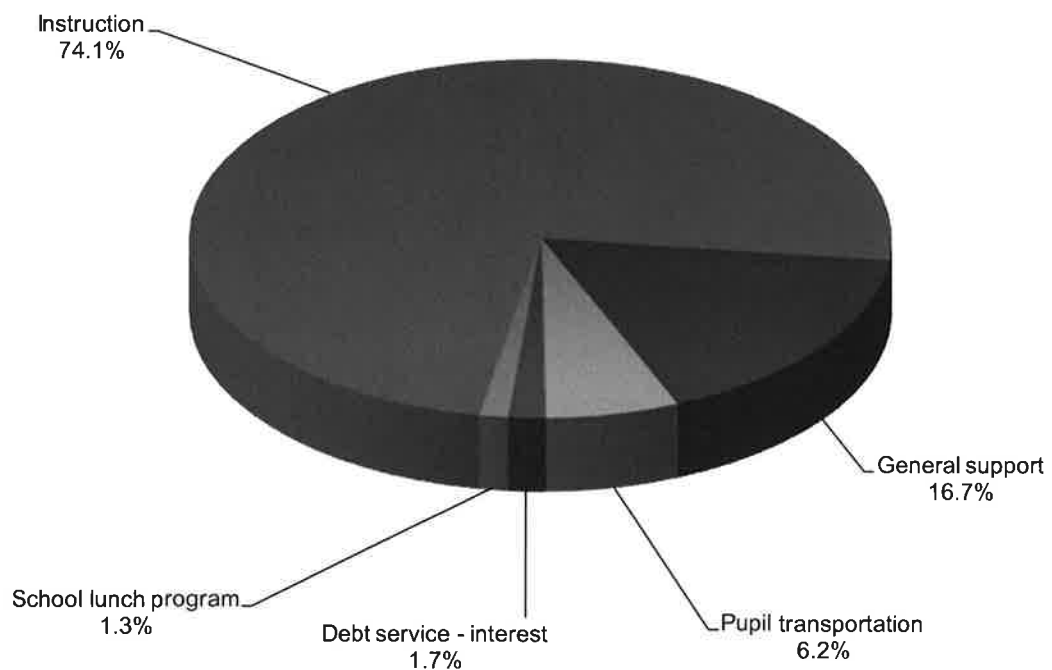


Table A-7: Expenses for Fiscal Year 2016



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$29,184,215, which is an increase of \$594,484 from June 30, 2016. Fund balances for the District's governmental funds for the past two years were distributed as follows:

| Table A-8: Fund Balances - Governmental Funds | | | | |
|--|-----------------------|-----------------------|-------------------------|------------------------|
| | <u>6/30/17</u> | <u>6/30/16</u> | <u>\$ Change</u> | <u>% Change</u> |
| General Fund | | | | |
| Nonspendable | \$ - | \$ 1,519,470 | \$ (1,519,470) | (100.0) |
| Restricted: | | | | |
| Tax Certiorari | 1,573,235 | 1,586,329 | (13,094) | (0.8) |
| Insurance | 6,545,032 | 6,528,835 | 16,197 | 0.2 |
| Retirement Contributions | 9,662,825 | 8,186,321 | 1,476,504 | 18.0 |
| Unemployment Benefits | 256,875 | 256,239 | 636 | 0.2 |
| Employee Benefit Accrued Liability | 875,554 | 873,387 | 2,167 | 0.2 |
| Capital Repairs | 1,435,006 | - | 1,435,006 | 100.0 |
| Assigned: | | | | |
| Designated for subsequent year's expenditures | 3,009,353 | 3,752,158 | (742,805) | (19.8) |
| Encumbrances | 381,685 | 280,726 | 100,959 | 36.0 |
| Unassigned | 3,623,609 | 3,595,257 | 28,352 | 0.8 |
| Total General Fund | <u>27,363,174</u> | <u>26,578,722</u> | <u>784,452</u> | <u>3.0</u> |
| School Lunch Fund | | | | |
| Nonspendable: | | | | |
| Inventory | 4,304 | 2,660 | 1,644 | 61.8 |
| Assigned: | | | | |
| School Lunch Fund | 1,066,081 | 1,072,007 | (5,926) | (0.6) |
| Total School Lunch Fund | <u>1,070,385</u> | <u>1,074,667</u> | <u>(4,282)</u> | <u>(0.4)</u> |
| Special Purpose Fund | | | | |
| Restricted: | | | | |
| Special Purpose Fund | 664,511 | 542,032 | 122,479 | 22.6 |
| Total Special Purpose Fund | <u>664,511</u> | <u>542,032</u> | <u>122,479</u> | <u>22.6</u> |
| Debt Service Fund | | | | |
| Restricted: | | | | |
| Debt Service Fund | 88 | 88 | - | - |
| Total Debt Service Fund | <u>88</u> | <u>88</u> | <u>-</u> | <u>-</u> |
| Capital Projects Fund | | | | |
| Restricted: | | | | |
| Capital Projects Fund | 86,057 | 394,222 | (308,165) | (78.2) |
| Total Capital Projects Fund | <u>86,057</u> | <u>394,222</u> | <u>(308,165)</u> | <u>(78.2)</u> |
| Total fund balance | <u>\$ 29,184,215</u> | <u>\$ 28,589,731</u> | <u>\$ 594,484</u> | <u>2.1</u> |

General Fund

The General Fund reported an increase in fund balance of \$784,452 for fiscal 2017, as compared to an increase in fund balance of \$2,335,673 for fiscal 2016. Revenues increased \$632,570 mainly as a result of an increase in the budgeted property tax levy, and an increase in the amount of State formula aid from the New York State Department of Education. Expenditures increased \$2,691,179 due to increases mainly in instruction related items. The increase in instruction expenditures was budgeted, as the District planned for an increase in wages and purchased upgraded technology equipment. Other financing uses decreased \$507,388, due to a decrease in budgeted transfers. As a result of the revenues being greater than the expenditures, the District reported an increase in the change in fund balance.

Special Aid Fund

Revenues and expenditures in the Special Aid Fund are increased \$79,697 from the prior year. The District's federal funding increased from \$538,521 to \$605,613. Federal sources are received through the New York State Department of Education and are based on approved budgets each year.

School Lunch Fund

The School Lunch Fund reported a decrease in fund balance of \$4,282 for fiscal 2017, as compared to an increase of \$222,842 for fiscal 2016. Sales increased slightly to \$1,269,558. Expenses related to school lunch operations increased \$257,716 mainly due to more purchases of equipment in the current year.

Capital Projects Fund

During 2017, the District expended \$673,761 for capital projects. Those projects include significant improvements and upgrades to District buildings. Improvements are being funded by the General Fund. The Capital Projects Fund reported a fund balance of \$86,057 for fiscal 2017.

General Fund Budgeted Highlights

Reference is made to the schedule on page 43 which presents original and revised budget amounts, as well as actual results for the District's General Fund.

- Actual revenues were greater than the final budgeted revenues by \$1,226,415. Other tax items, miscellaneous, and State sources were greater than budgeted by \$1,156,905. Other tax items are made up of payments in lieu of taxes collected and school tax relief reimbursements and can vary from year to year. Miscellaneous items are generally due to refunds of prior years' expenditures and are difficult to budget.
- Actual expenditures were \$86,578,751 and encumbrances were \$381,685 resulting in a \$3,209,236 overall favorable budget variance.
- The overall budget variance was \$402,767, which is \$4,435,651 better than the District budgeted. The District originally anticipated \$4,032,884 for use of fund balance and reserves.

At June 30, 2017, the District's unassigned fund balance was \$3,623,609 which was within the allowable 4% of the subsequent year's budget as promulgated by New York State (see page 49). The following is a reconciliation of the General Fund's unassigned fund balance for the year ended June 30, 2017.

| | |
|---|----------------------------|
| Unassigned fund balance, beginning of year | \$ 3,595,257 |
| Add: | |
| Prior-year appropriated fund balance | 3,752,158 |
| Prior-year encumbrances | 280,726 |
| Board approved usage of Tax Certiorari Reserve | 839,529 |
| Release of nonspendable fund balance | 1,519,470 |
| Net change in fund balance | 784,452 |
| Less: | |
| Current-year appropriated fund balance | (3,009,353) |
| Current-year encumbrances | (381,685) |
| Board approved transfer to Tax Certiorari Reserve | (822,500) |
| Board approved transfer to Capital Repairs Reserve | (1,435,006) |
| Board approved transfer to Retirement Contribution Reserve | (1,456,195) |
| Transfer to Tax Certiorari Reserve for interest | (3,935) |
| Transfer to Employee Benefit Accrued Liability Reserve for interest | (2,167) |
| Transfer to Retirement Contribution Reserve for interest | (20,309) |
| Transfer to Unemployment Benefits Reserve for interest | (636) |
| Transfer to Insurance Reserve for interest | (16,197) |
| Unassigned fund balance, end of year | <u><u>\$ 3,623,609</u></u> |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2017, the District had invested \$75,097,453 net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative offices. See Note 6 in the accompanying notes to financial statements for more information on capital assets.

Table A-9: Capital Assets (net of depreciation)

| | <u>6/30/17</u> | <u>6/30/16</u> | <u>\$ Change</u> | <u>% Change</u> |
|-------------------------------------|-----------------------------|-----------------------------|------------------------------|-----------------|
| Land | \$ 562,525 | \$ 562,525 | \$ - | 0.0 |
| Construction-in-progress | 877,450 | 1,500,595 | (623,145) | (41.5) |
| Buildings and building improvements | 69,141,952 | 71,919,603 | (2,777,651) | (3.9) |
| Furniture and equipment | <u>4,515,526</u> | <u>4,265,360</u> | <u>250,166</u> | 5.9 |
| Totals | <u><u>\$ 75,097,453</u></u> | <u><u>\$ 78,248,083</u></u> | <u><u>\$ (3,150,630)</u></u> | (4.0) |

Long-Term Liabilities

At year-end, the District had \$78,412,521 in general obligation bonds and other long-term liabilities. The District did not enter into any new debt agreements during the year ended June 30, 2017.

Table A-10: Outstanding Long-Term Debt

| | <u>6/30/17</u> | <u>6/30/16</u> | <u>\$ Change</u> | <u>% Change</u> |
|--------------------------------|----------------------|----------------------|---------------------|-----------------|
| Bonds payable | \$ 30,180,000 | \$ 35,160,000 | \$ (4,980,000) | (14.2) |
| Unamortized bond premiums | 2,740,463 | 3,133,582 | (393,119) | (12.5) |
| Compensated absences | 580,024 | 873,387 | (293,363) | (33.6) |
| Other post-employment benefits | <u>44,912,034</u> | <u>39,730,553</u> | <u>5,181,481</u> | 13.0 |
| Totals | <u>\$ 78,412,521</u> | <u>\$ 78,897,522</u> | <u>\$ (485,001)</u> | (0.6) |

FACTORS BEARING ON THE FUTURE OF DISTRICT

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that may affect its financial health in the future:

- The "Tax Levy Limitation Law" which was enacted on June 24, 2011 restricts the amount of property taxes that may be levied by or on behalf of a school district in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the new Law is expected to make budgetary decisions more difficult.
- The General Fund Budget for the 2017-2018 school year is impacted by certain trends affecting school districts. These include potential increase in health insurance costs, workers' compensation judgments, and potential unemployment insurance claims, which are beyond the District's control.
- Changes in accounting principles to be implemented in subsequent years will force the District to recognize the full amount due under post-employment benefit obligations. This could adversely affect the District's Statement of Net Position.
- The possibility of New York State allowing for the establishment of other post-employment benefit reserve funds is being discussed in the legislature. This would allow for the District to set aside monies to meet other post-employment retirement benefits such as health insurance. The establishment of that reserve would increase the District's ability to plan for the future.
- The establishment of a retirement contributions reserve for the Teachers' Retirement System would allow School Districts to set aside monies for future retirement contribution costs. The establishment of this reserve is being deliberated by the New York State Senate Rules Committee.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Byram Hills Central School District
Attn: James Reese
Interim Assistant Superintendent for Business and Management Services
10 Tripp Lane
Armonk, NY 10504

BYRAM HILLS CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

| | |
|----------------------------|---------------|
| Unrestricted cash | \$ 13,543,403 |
| Restricted cash | 21,113,393 |
| Receivables: | |
| State and federal aid | 1,559,370 |
| Taxes | 3,783 |
| Due from other governments | 152,741 |
| Due from fiduciary funds | 186,642 |
| Other receivables | 65,838 |
| Inventories | 4,304 |
| Capital assets: | |
| Non-depreciable | 1,439,975 |
| Depreciable, net | 73,657,478 |
| | <hr/> |
| Total assets | 111,726,927 |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|------------|
| Deferred charge from refunding bonds | 2,298,958 |
| Deferred outflows of resources - NYSERS | 2,771,049 |
| Deferred outflows of resources - NYSTRS | 22,217,398 |
| | <hr/> |
| Total deferred outflows of resources | 27,287,405 |

LIABILITIES

| | |
|---|------------|
| Payables: | |
| Accounts payable | 2,241,388 |
| Accrued interest payable | 178,480 |
| Accrued liabilities | 283,595 |
| Due to other governments | 53,278 |
| Due to teachers' retirement system | 4,182,744 |
| Due to employees' retirement system | 452,907 |
| Unearned revenue | 231,347 |
| Long-term liabilities, due within one year: | |
| Bonds payable, net | 5,483,119 |
| Compensated absences | 80,000 |
| Long-term liabilities, due after one year: | |
| Bonds payable, net | 27,437,344 |
| Compensated absences | 500,024 |
| Other post-employment benefits | 44,912,034 |
| Proportionate share of net pension liability - NYSERS | 3,289,141 |
| Proportionate share of net pension liability - NYSTRS | 2,283,075 |
| | <hr/> |
| Total liabilities | 91,608,476 |

DEFERRED INFLOWS OF RESOURCES

| | |
|--|-----------|
| Deferred inflows of resources - NYSERS | 511,797 |
| Deferred inflows of resources - NYSTRS | 777,517 |
| | <hr/> |
| Total deferred inflows of resources | 1,289,314 |

NET POSITION

| | |
|------------------------------------|---------------|
| Net investment in capital assets | 44,475,948 |
| Restricted: | |
| Tax Certiorari | 1,573,235 |
| Insurance | 6,545,032 |
| Retirement Contributions | 9,662,825 |
| Unemployment Benefits | 256,875 |
| Employee Benefit Accrued Liability | 875,554 |
| Capital Repairs | 1,435,006 |
| Special Purpose Fund | 664,511 |
| Debt Service Fund | 88 |
| Capital Projects Fund | 86,057 |
| Unrestricted | (19,458,589) |
| | <hr/> |
| Total net position | \$ 46,116,542 |

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

BYRAM HILLS CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | | Program Revenues | | Net (Expense) |
|--|----------------------|-------------------------|--------------------------|----------------------|
| | Expenses | Charges for | Operating Grants | Revenue and |
| | | Services | and Contributions | Change in |
| | | | | Net Position |
| Functions and programs: | | | | |
| General support | \$ 11,890,797 | \$ - | \$ - | \$ (11,890,797) |
| Instruction | 72,973,491 | 649,470 | 831,832 | (71,492,189) |
| Pupil transportation | 5,342,247 | 47,546 | 60,896 | (5,233,805) |
| Debt service - interest | 1,191,698 | - | - | (1,191,698) |
| School lunch program | 1,346,135 | 1,269,558 | 72,295 | (4,282) |
| Total functions and programs | <u>\$ 92,744,368</u> | <u>\$ 1,966,574</u> | <u>\$ 965,023</u> | <u>(89,812,771)</u> |
| General revenues: | | | | |
| Real property taxes | | | | 74,842,147 |
| Other tax items | | | | 6,943,399 |
| Non-property tax items | | | | 608,041 |
| Use of money and property | | | | 82,085 |
| Sale of property and compensation for loss | | | | 60,671 |
| State sources | | | | 4,255,836 |
| Miscellaneous | | | | <u>434,374</u> |
| Total general revenues | | | | <u>87,226,553</u> |
| Change in net position | | | | (2,586,218) |
| Total net position, beginning of year | | | | <u>48,702,760</u> |
| Total net position, end of year | | | | <u>\$ 46,116,542</u> |

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

BYRAM HILLS CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

| | | Major Funds | | | | | | | | | | | | | |
|-------------------------------------|----|-----------------|----------------|-----------------|--------------------|-----------------|--------------------------------|---------------------|---------|------------|----|--------|---------|------------|------------|
| | | Special Revenue | | | | | Total Governmental Funds | | | | | | | | |
| | | General | Special Aid | School Lunch | Special Purpose | Debt Service | | Capital Projects | | | | | | | |
| ASSETS | | | | | | | | | | | | | | | |
| Cash: | | | | | | | | | | | | | | | |
| Unrestricted | \$ | 12,243,019 | \$ | - | \$ | 1,300,384 | \$ | - | \$ | 13,543,403 | | | | | |
| Restricted | | 20,348,527 | | - | | - | | 587,713 | | 21,113,393 | | | | | |
| Receivables: | | | | | | | | | | | | | | | |
| State and federal aid | | 935,545 | | 621,145 | | 2,680 | | - | | 1,559,370 | | | | | |
| Taxes | | 3,783 | | - | | - | | - | | 3,783 | | | | | |
| Due from other governments | | 152,741 | | - | | - | | - | | 152,741 | | | | | |
| Due from other funds | | 608,706 | | 798,539 | | - | | 75,967 | 88 | 1,483,300 | | | | | |
| Due from fiduciary funds | | 186,642 | | - | | - | | - | | 186,642 | | | | | |
| Other | | 64,787 | | - | | - | | 1,051 | | 65,838 | | | | | |
| Inventories | | - | | - | | 4,304 | | - | | 4,304 | | | | | |
| Total assets | | \$ | 34,543,750 | \$ | 1,419,684 | \$ | 1,307,368 | \$ | 664,731 | \$ | 88 | \$ | 177,153 | \$ | 38,112,774 |
| LIABILITIES | | | | | | | | | | | | | | | |
| Payables: | | | | | | | | | | | | | | | |
| Accounts payable | \$ | 2,040,848 | \$ | 7,995 | \$ | 167,093 | \$ | 220 | \$ | - | \$ | 25,232 | \$ | 2,241,388 | |
| Accrued liabilities | | 283,595 | | - | | - | | - | | - | | - | | 283,595 | |
| Due to other funds | | - | | 1,411,689 | | 5,747 | | - | | - | | 65,864 | | 1,483,300 | |
| Due to other governments | | 53,278 | | - | | - | | - | | - | | - | | 53,278 | |
| Due to teachers' retirement system | | 4,182,744 | | - | | - | | - | | - | | - | | 4,182,744 | |
| Due to employees' retirement system | | 452,907 | | - | | - | | - | | - | | - | | 452,907 | |
| Unearned revenue | | 167,204 | | - | | 64,143 | | - | | - | | - | | 231,347 | |
| Total liabilities | | | 7,180,576 | | 1,419,684 | | 236,983 | | 220 | | - | | 91,096 | | 8,928,559 |
| FUND BALANCE | | | | | | | | | | | | | | | |
| Fund balance: | | | | | | | | | | | | | | | |
| Nonspendable | | - | | - | | 4,304 | | - | | - | | - | | 4,304 | |
| Restricted | | 20,348,527 | | - | | - | | 664,511 | | 88 | | 86,057 | | 21,099,183 | |
| Assigned | | 3,391,038 | | - | | 1,066,081 | | - | | - | | - | | 4,457,119 | |
| Unassigned | | 3,623,609 | | - | | - | | - | | - | | - | | 3,623,609 | |
| Total fund balance | | | 27,363,174 | | - | | 1,070,385 | | 664,511 | | 88 | | 86,057 | | 29,184,215 |
| Total liabilities and fund balance | | \$ | 34,543,750 | \$ | 1,419,684 | \$ | 1,307,368 | \$ | 664,731 | \$ | 88 | \$ | 177,153 | \$ | 38,112,774 |

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

BYRAM HILLS CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

| | |
|---|---------------|
| Total Fund Balance - Governmental Funds | \$ 29,184,215 |
|---|---------------|

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

| | | |
|--------------------------|---------------------|------------|
| Capital assets: | | |
| Non-depreciable | \$ 1,439,975 | |
| Depreciable | 138,898,732 | |
| Accumulated depreciation | <u>(65,241,254)</u> | 75,097,453 |

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

| | | |
|--|--------------------|------------|
| Proportionate share of net pension liability - NYSERS | (3,289,141) | |
| Deferred outflows of resources - NYSERS and NYSTRS pension related | 24,988,447 | |
| Proportionate share of net pension liability - NYSTRS | (2,283,075) | |
| Deferred inflows of resources - NYSERS and NYSTRS pension related | <u>(1,289,314)</u> | 18,126,917 |

| | |
|--------------------------------------|-----------|
| Deferred charge from refunding bonds | 2,298,958 |
|--------------------------------------|-----------|

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:

| | | |
|--------------------------------|------------------|--------------|
| Bonds payable, net | (32,920,463) | |
| Other post-employment benefits | (44,912,034) | |
| Compensated absences | <u>(580,024)</u> | (78,412,521) |

Interest payable applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position.

(178,480)

| | |
|--|----------------------|
| Net Position - Governmental Activities | <u>\$ 46,116,542</u> |
|--|----------------------|

BYRAM HILLS CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Major Funds | | | | | | |
|---|--------------------|----------------|------------------|-----------------|------------------|------------------|--------------------|
| | Special Revenue | | | | | | Total |
| | General | Special Aid | School Lunch | Special Purpose | Debt Service | Capital Projects | Governmental Funds |
| REVENUES | | | | | | | |
| Real property taxes | \$ 74,842,147 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 74,842,147 |
| Other tax items | 6,943,399 | - | - | - | - | - | 6,943,399 |
| Non-property tax items | 608,041 | - | - | - | - | - | 608,041 |
| Charges for services | 136,650 | - | - | - | - | - | 136,650 |
| Use of money and property | 82,085 | - | - | - | - | - | 82,085 |
| Sale of property and compensation for loss | 60,671 | - | - | - | - | - | 60,671 |
| State sources | 4,255,836 | 287,115 | 4,678 | - | - | - | 4,547,629 |
| Federal sources | - | 605,613 | 67,617 | - | - | - | 673,230 |
| Sales | - | - | 1,269,558 | - | - | - | 1,269,558 |
| Miscellaneous | 434,374 | - | - | 560,366 | - | - | 994,740 |
| Total revenues | 87,363,203 | 892,728 | 1,341,853 | 560,366 | - | - | 90,158,150 |
| EXPENDITURES | | | | | | | |
| Current - | | | | | | | |
| General support | 9,505,012 | - | - | - | - | - | 9,505,012 |
| Instruction | 46,896,294 | 964,507 | - | 437,887 | - | - | 48,298,688 |
| Pupil transportation | 3,951,441 | - | - | - | - | - | 3,951,441 |
| Employee benefits | 19,506,148 | - | - | - | - | - | 19,506,148 |
| Debt service - | | | | | | | |
| Principal | - | - | - | - | 4,980,000 | - | 4,980,000 |
| Interest | - | - | - | - | 1,302,481 | - | 1,302,481 |
| Cost of sales | - | - | 1,346,135 | - | - | - | 1,346,135 |
| Capital outlay | - | - | - | - | - | 673,761 | 673,761 |
| Total expenditures | 79,858,895 | 964,507 | 1,346,135 | 437,887 | 6,282,481 | 673,761 | 89,563,666 |
| Excess (deficiency) of revenues over (under) expenditures | 7,504,308 | (71,779) | (4,282) | 122,479 | (6,282,481) | (673,761) | 594,484 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Operating transfers in | 119,404 | 71,779 | - | - | 6,282,481 | 485,000 | 6,958,664 |
| Operating transfers out | (6,839,260) | - | - | - | - | (119,404) | (6,958,664) |
| Total other financing sources (uses) | (6,719,856) | 71,779 | - | - | 6,282,481 | 365,596 | - |
| Change in fund balance | 784,452 | - | (4,282) | 122,479 | - | (308,165) | 594,484 |
| Fund balance, beginning of year | 26,578,722 | - | 1,074,667 | 542,032 | 88 | 394,222 | 28,589,731 |
| Fund balance, end of year | \$ 27,363,174 | \$ - | \$ 1,070,385 | \$ 664,511 | \$ 88 | \$ 86,057 | \$ 29,184,215 |

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

BYRAM HILLS CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | | |
|--|----|---------|
| Net Change in Fund Balance - Governmental Activities | \$ | 594,484 |
|--|----|---------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeds capital outlay in the current period is:

| | | | |
|---|--------------------|--|-------------|
| Capital outlay | \$ 1,659,603 | | |
| Disposal/reclassification of capital assets | (282,435) | | |
| Depreciation expense | <u>(4,527,798)</u> | | (3,150,630) |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

| | | |
|-----------------------------|--|-----------|
| Repayment of bond principal | | 4,980,000 |
|-----------------------------|--|-----------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

| | | | |
|---|---------------|--|-------------|
| Amortization of refunding bond premiums | 393,119 | | |
| bond | (319,559) | | |
| Other post-employment benefits | (5,181,481) | | |
| Compensated absences | 293,363 | | |
| Accrued interest costs | <u>37,223</u> | | (4,777,335) |

(Increases) decreases in the proportionate share of the net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

| | | | |
|------------------------------|------------------|--|------------------|
| Teachers' Retirement System | 223,403 | | |
| Employees' Retirement System | <u>(456,140)</u> | | <u>(232,737)</u> |

| | | |
|--|----|--------------------|
| Net Change in Net Position - Governmental Activities | \$ | <u>(2,586,218)</u> |
|--|----|--------------------|

BYRAM HILLS CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017

| | <u>Agency Funds</u> |
|----------------------------------|--------------------------------|
| ASSETS | |
| Cash: | |
| Restricted | \$ 417,484 |
| Receivables | <u>433</u> |
| Total assets | <u><u>\$ 417,917</u></u> |
| LIABILITIES | |
| Due to governmental funds | \$ 186,642 |
| Extraclassroom activity balances | 212,523 |
| Other liabilities | <u>18,752</u> |
| Total liabilities | <u><u>\$ 417,917</u></u> |

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

BYRAM HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The Byram Hills Central School District (the "District"), at Armonk, New York, as presently constituted, was established in 1964 and operates in accordance with the provisions of the Education Law of the State of New York. The financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board ("GASB"), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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. 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 reporting entity of the District is based upon 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 such criteria, the District's Extraclassroom Activity Funds have been included in the accompanying financial statements. See correspondence note below.

B. Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found elsewhere in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

C. Joint venture

The District is a component district in the Southern Westchester Board of Cooperative Educational Services ("BOCES"). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7).

In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$3,493,285 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$967,261.

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

D. Basis of presentation

1. District-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental 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 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund financial statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds include the following:

Special Aid Fund: Used to account for proceeds from State and federal grants that are restricted for specific educational programs.

School Lunch Fund: Used to account for child nutrition or other activities whose funds are restricted as to use.

Special Purpose Fund: Used to account for assets held by the District in accordance with the terms of a trust agreement, where the District has the ability to select who will receive payments.

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

Capital Projects Fund: These funds are used to account for the financial resources used for acquisition, construction or major repair of capital facilities.

The District reports the following fiduciary fund:

Fiduciary Fund

Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There is one class of fiduciary funds:

Agency fund: This fund is strictly custodial in nature and does 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.

E. 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 property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 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, and compensated absences 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 and acquisitions under capital leases are reported as other financing sources.

F. Property taxes

Real property taxes attach as an enforceable lien on real property as of July 1st and are payable in two installments in September and January for the Town of North Castle, the Town of Bedford, the Town of Mount Pleasant, and the Town of New Castle ("Towns"). The Towns are responsible for the billing and collection of the taxes. The Towns guarantee the full payment of the District warrant and assume responsibility for uncollected taxes.

G. Restricted resources

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

H. Interfund transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources

between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the District-wide financial 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 fund). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

I. 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. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, useful lives of long-lived assets and proportionate share of net pension assets and liabilities.

J. Cash and investments

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

New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

K. Accounts receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

L. Inventories and prepaid items

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, at stated value which approximates market. Purchases of other inventory items, such as supplies, in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures (nonspendable).

M. Other assets/restricted assets

Certain proceeds from serial bonds, as well as resources set aside for their repayment are classified as restricted assets in the District-wide financial statements as their use is limited by applicable bond covenants.

In the District-wide financial statements, bond discounts, premiums and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

N. Capital assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 1975. For assets acquired prior to July 1, 1975, estimated historical costs, based on independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide financial statements are as follows:

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|----------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Buildings and improvements | \$ 5,000 | Straight line | 20-50 years |
| Furniture and equipment | \$ 5,000 | Straight line | 8-20 years |

O. Unearned revenue

The District reports unearned revenue on its Statement of Net Position and its Balance Sheet. Unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. Another example is the prepayment for student food sale vouchers not yet redeemed in the School Lunch Fund. In subsequent periods, when the District has legal claim to resources, or the food sale vouchers are used, the liability for unearned revenue is removed and revenue is recognized.

P. Deferred outflows of resources

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. First relates to 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 proportion share of total contributions to the pension systems not included in pension expense. Second is the District contributions to the pension systems (New York State Employees' Retirement System ("NYSERS") and New York State Teachers' Retirement System ("NYSTRS")) subsequent to the measurement date.

Q. Deferred inflows of resources

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has various items that qualify for reporting in this category. This may arise under the modified accrual basis of accounting and may be reported as unavailable revenue - property taxes. This may also arise when reporting on pensions 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. Deferred inflows of resources may be recognized when bonds are refunded prior to their maturity dates.

R. Vested employee benefits - compensated absences

Compensated absences consist of unpaid accumulated annual sick leave.

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

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

S. Other benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The 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.

T. Short-term debt

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

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

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

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

As of June 30, 2017, the District does not have any outstanding RAN's, TAN's, BAN's or deficiency notes.

U. Accrued liabilities and long-term obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Other post-employment benefits that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

V. Equity classifications

District-wide financial statements

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

1. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also are included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
2. Restricted net position: Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
3. Unrestricted net position: Is the amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position, and is deemed to be available for general use by the District.

Fund financial statements

In the fund financial statements there are five classifications of fund balance:

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes inventory and monies required to be maintained intact in the School Lunch Fund of \$4,304.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances within the General Fund:

Tax Certiorari

According to General Municipal Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

Insurance

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Unemployment Benefits

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

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

Capital Repairs

According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

3. Committed - Includes amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board of Education is the decision-making authority that can, by Board resolution, commit fund balance. The District has no committed fund balances as of June 30, 2017.
4. Assigned - Includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed, except for tax stabilization. The intent can be expressed by the Board or through the Board delegating this responsibility to the District administration through the budgetary process. The classification also includes the remaining positive fund balances for all governmental funds except for the General Fund.
5. Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and is deemed to be available for general use by the District. The unassigned classification also includes negative residual balances of any other governmental fund that cannot be eliminated by offsetting assigned fund balances.

Fund balances for all governmental funds as of June 30, 2017 were distributed as follows:

| | General | School Lunch | Special Purpose | Debt Service | Capital Projects | Total Governmental Funds |
|---|---------------|--------------|-----------------|--------------|------------------|--------------------------------|
| Nonspendable: | | | | | | |
| Inventories | \$ - | \$ 4,304 | \$ - | \$ - | \$ - | \$ 4,304 |
| Total nonspendable | - | 4,304 | - | - | - | 4,304 |
| Restricted: | | | | | | |
| Capital Projects | - | - | - | - | 86,057 | 86,057 |
| Tax Certiorari | 1,573,235 | - | - | - | - | 1,573,235 |
| Insurance | 6,545,032 | - | - | - | - | 6,545,032 |
| Retirement Contributions | 9,662,825 | - | - | - | - | 9,662,825 |
| Unemployment Benefits | 256,875 | - | - | - | - | 256,875 |
| Employee Benefit Accrued Liability | 875,554 | - | - | - | - | 875,554 |
| Capital Repairs | 1,435,006 | - | - | - | - | 1,435,006 |
| Scholarships | - | - | 664,511 | - | - | 664,511 |
| Debt Service | - | - | - | 88 | - | 88 |
| Total restricted | 20,348,527 | - | 664,511 | 88 | 86,057 | 21,099,183 |
| Assigned: | | | | | | |
| Designated for subsequent year's expenditures | 3,009,353 | - | - | - | - | 3,009,353 |
| Encumbrances | 381,685 | - | - | - | - | 381,685 |
| School Lunch Fund | - | 1,066,081 | - | - | - | 1,066,081 |
| Total assigned | 3,391,038 | 1,066,081 | - | - | - | 4,457,119 |
| Unassigned | 3,623,609 | - | - | - | - | 3,623,609 |
| Total | \$ 27,363,174 | \$ 1,070,385 | \$ 664,511 | \$ 88 | \$ 86,057 | \$ 29,184,215 |

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of use of fund balance

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

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

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

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. The categories are shown below:

1. Long-term revenue/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.

2. Capital related differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund financial 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 financial statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund financial statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. 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.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

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

The following supplemental appropriations occurred during the year:

| | |
|-----------|-----------------|
| Donations | <u>\$ 7,500</u> |
|-----------|-----------------|

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

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

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. Generally, all unencumbered appropriations lapse at year-end, except those for capital project funds. Open encumbrances at fiscal year-end are included in restricted or assigned fund balance, as appropriate. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

4. CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT AND INTEREST RATE RISK

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. District monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The District Treasurer is authorized to use demand accounts and certificates of deposit. 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 deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

Custodial credit risk - deposits/investments: Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

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

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks in the District's name. They consisted of:

| <u>Fund</u> | <u>Bank Balance</u> | <u>Carrying Amount</u> |
|-----------------|-------------------------|----------------------------|
| General | \$ 33,648,328 | \$ 32,591,546 |
| School Lunch | 1,300,384 | 1,300,384 |
| Special Purpose | 599,077 | 587,713 |
| Capital | 181,214 | 177,153 |
| Fiduciary Funds | 472,238 | 417,484 |
| | <u>\$ 36,201,241</u> | <u>\$ 35,074,280</u> |

Credit risk: State law limits investments to those authorized by State statutes. The District has a written investment policy.

Interest-rate risk: Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

Concentration of credit risk: Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer.

As of June 30, 2017, the District did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

5. RECEIVABLES

Receivables at June 30, 2017, consisted of the following:

A. State and federal aid

State and federal aid receivables at June 30, 2017, consisted of the following:

| | |
|--|---------------------|
| General Fund: | |
| BOCES aid | \$ 744,705 |
| New York State Aid - excess cost aid | 190,840 |
| Special Aid Fund: | |
| State and federal grants | 621,145 |
| School Lunch Fund: | |
| School breakfast and lunch reimbursement | 2,680 |
| | <u>\$ 1,559,370</u> |

B. Due from other governments

Due from other governments at June 30, 2017, consisted of the following:

| | |
|--------------------|----------------|
| General Fund: | |
| Westchester County | \$ 152,741 |
| | <u>152,741</u> |

C. Taxes receivable

Taxes receivable at June 30, 2017, consisted of the following:

| | |
|----------------------|--------------|
| General Fund: | |
| Town of North Castle | \$ 3,783 |
| | <u>3,783</u> |

D. Other receivables

Other receivables at June 30, 2017, consisted of the following:

| | |
|---------------------------------------|------------------|
| General Fund: | |
| Tuition payments from other districts | \$ 51,589 |
| Various receivables | 13,198 |
| Special Purpose Fund: | |
| Various receivables | 1,051 |
| | <u>\$ 65,838</u> |

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals/ Reclassifications</u> | <u>Ending Balance</u> |
|--------------------------------------|------------------------------|------------------|---|---------------------------|
| Governmental activities: | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 562,525 | \$ - | \$ - | \$ 562,525 |
| Construction-in-progress | 1,500,595 | - | (623,145) | 877,450 |
| Total nondepreciable assets | 2,063,120 | - | (623,145) | 1,439,975 |
| Capital assets that are depreciated: | | | | |
| Buildings and building improvements | 126,227,190 | 829,977 | 347,770 | 127,404,937 |
| Furniture and equipment | 10,891,887 | 829,626 | (227,718) | 11,493,795 |
| Total depreciable assets | 137,119,077 | 1,659,603 | 120,052 | 138,898,732 |
| Less accumulated depreciation: | | | | |
| Buildings and building improvements | 54,307,587 | 3,955,398 | - | 58,262,985 |
| Furniture and equipment | 6,626,527 | 572,400 | (220,658) | 6,978,269 |
| Total accumulated depreciation | 60,934,114 | 4,527,798 | (220,658) | 65,241,254 |
| Total capital assets, net | \$ 78,248,083 | \$ (2,868,195) | \$ (282,435) | \$ 75,097,453 |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------|---------------------|
| General support | \$ 443,227 |
| Instruction | 3,796,143 |
| Pupil transportation | 288,428 |
| | <u>\$ 4,527,798</u> |

7. LONG-TERM DEBT LIABILITIES

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|--------------------------------|------------------------------|------------------|-------------------|---------------------------|--|
| Governmental activities: | | | | | |
| Bonds payable | \$ 35,160,000 | \$ - | \$ 4,980,000 | \$ 30,180,000 | \$ 5,090,000 |
| Unamortized bond premiums | 3,133,582 | - | 393,119 | 2,740,463 | 393,119 |
| Total bonds payable, net | 38,293,582 | - | 5,373,119 | 32,920,463 | 5,483,119 |
| Compensated absences | 873,387 | 26,143 | 319,506 | 580,024 | 80,000 |
| Other post-employment benefits | 39,730,553 | 7,452,202 | 2,270,721 | 44,912,034 | - |
| Total long-term liabilities | \$ 78,897,522 | \$ 7,478,345 | \$ 7,963,346 | \$ 78,412,521 | \$ 5,563,119 |

Bonds payable - the District borrows money in order to acquire land or equipment or to construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government.

Other long-term debt - in addition to the above long-term debt, the District had the following non-current liabilities:

Other post-employment benefits - represents the amortized portion of the annual required contribution for the District's cost of health benefits for retirees.

Compensated absences - represents the value of earned and unused portion of the liability for compensated absences.

The following is a summary of the maturity of long-term indebtedness:

| Description of Issue | Issue Date | Final Maturity | Interest Rate | Outstanding at 6/30/2017 |
|-------------------------|---------------|-------------------|------------------|--------------------------------|
| Serial Bonds | 04/15/05 | 10/15/19 | 5.00% | \$ 7,090,000 |
| Refunding Bonds | 05/15/13 | 11/15/25 | 2.00-5.00% | 23,090,000 |
| | | | | <u>\$ 30,180,000</u> |

The following is a summary of maturing debt service requirements for the District's serial bonds:

| Year Ended June 30, | Principal | Interest | Totals |
|------------------------|----------------------|---------------------|----------------------|
| 2018 | \$ 5,090,000 | \$ 1,064,256 | \$ 6,154,256 |
| 2019 | 5,190,000 | 807,256 | 5,997,256 |
| 2020 | 4,875,000 | 568,107 | 5,443,107 |
| 2021 | 2,520,000 | 408,306 | 2,928,306 |
| 2022 | 2,545,000 | 307,006 | 2,852,006 |
| 2023-2026 | 9,960,000 | 437,575 | 10,397,575 |
| | <u>\$ 30,180,000</u> | <u>\$ 3,592,506</u> | <u>\$ 33,772,506</u> |

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

| | |
|---|---------------------|
| Interest paid | \$ 1,302,481 |
| Amortization of deferred charges on refunding | 319,559 |
| Amortization of premium on bonds | (393,119) |
| Less interest accrued in the prior year | (215,703) |
| Plus interest accrued in the current year | 178,480 |
| Interest expense | <u>\$ 1,191,698</u> |

8. PENSION OBLIGATIONS

General information

The District participates in the New York State and Local Employees' Retirement System ("NYSERS") and the New York State Teachers' Retirement System ("NYSTRS") (collectively referred to as the "Systems").

Plan descriptions and benefits provided

Employees' Retirement System

The New York State and Local Employees' Retirement System is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits, as well as death and disability benefits. The net position of the System 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 System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the NYSERS. NYSERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in NYSERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan ("NYSGLIP"), which provides death benefits in the form of life insurance. NYSERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Teachers' Retirement System

The New York State Teachers' Retirement System is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits, as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS is governed by a 10 member Board of Trustees. NYSTRS benefits are established under New York State Law. 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 NYSTRS. Once a public employer elects to participate in NYSTRS, 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 NYSTRS, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial Report which can be found on the NYSTRS website at www.nystrs.org.

Contributions

The Systems are noncontributory for the employee who joined prior to July 27, 1976 (tiers I and II). For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary (tiers III and IV). For NYSERS, employees who joined the System between January 1, 2010 and April 1, 2012, are required to contribute 3% of their salary (tier V). For NYSTRS, employees who joined the System between January 1, 2010 and April 1, 2012, are required to contribute 3.5% of their salary (tier V). In addition, employee contribution rates (3% to 6%) under NYSERS and NYSTRS tier VI (those who joined after April 1, 2012) vary based on a sliding salary scale. With the exception of NYSERS and NYSTRS tier V and VI employees, employees in the System more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District contributions made to the Systems were equal to 100% of the contributions required for each year. Required contributions for the current and two preceding years were as follows:

| <u>Year</u> | <u>NYSERS</u> | <u>NYSTRS</u> |
|-------------|---------------|---------------|
| 2017 | \$ 1,580,656 | \$ 4,012,211 |
| 2016 | 1,776,797 | 4,382,898 |
| 2015 | 1,956,548 | 5,611,257 |

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

For the fiscal year ended June 30, 2017, the net pension liability was measured as of March 31, 2017 for NYSERS and June 30, 2016 for NYSTRS. 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 NYSERS and NYSTRS Systems in reports issued to the District.

At June 30, 2017, the District reported the following liability for its proportionate share of the net pension asset/(liability) for each of the Systems.

| | <u>NYSERS</u> | <u>NYSTRS</u> |
|--|----------------|----------------|
| Actuarial Valuation Date | April 1, 2016 | June 30, 2015 |
| Net pension liability | \$ (3,289,141) | \$ (2,283,075) |
| District's portion of the Plan's total net pension liability | 0.0350049% | 0.213164% |

For the year ended June 30, 2017, the District recognized pension expense of \$2,036,860 for NYSERS and \$3,782,391 for NYSTRS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources - NYSERS</u> | <u>Deferred Outflows of Resources - NYSTRS</u> | <u>Deferred Inflows of Resources - NYSERS</u> | <u>Deferred Inflows of Resources - NYSTRS</u> |
|---|--|--|---|---|
| Differences between expected experience and actual experience | \$ 82,423 | \$ - | \$ 499,475 | \$ 741,671 |
| Changes of assumptions | 1,123,691 | 13,005,847 | - | - |
| Net difference between projected and actual earnings on pension plan investments | 656,975 | 5,133,552 | - | - |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 455,053 | 69,329 | 12,322 | 35,846 |
| Employer contributions subsequent to the measurement date | <u>452,907</u> | <u>4,008,670</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 2,771,049</u> | <u>\$ 22,217,398</u> | <u>\$ 511,797</u> | <u>\$ 777,517</u> |

District contributions subsequent to the measurement date will be recognized as an addition/reduction of the net pension asset/liability in the year ended June 30, 2018. 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>For the year ended:</u> | <u>NYSERS</u> | <u>NYSTRS</u> |
|----------------------------|---------------|---------------|
| 2018 | \$ 775,333 | \$ 1,593,896 |
| 2019 | 775,333 | 1,593,896 |
| 2020 | 661,745 | 5,580,754 |
| 2021 | (406,066) | 4,340,326 |
| 2022 | - | 1,993,830 |
| Thereafter | - | 2,328,509 |

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>NYSERS</u> | <u>NYSTRS</u> |
|--------------------------|---|---|
| Measurement date | March 31, 2017 | June 30, 2016 |
| Actuarial valuation date | April 1, 2016 | June 30, 2015 |
| Interest rate | 7.00% | 7.50% |
| Salary scale | 3.80% | 1.90% - 4.72% |
| Decrement tables | April 1, 2010 to March 31, 2015 System's Experience | July 1, 2009 to June 30, 2014 System's Experience |
| Inflation rate | 2.50% | 2.50% |

For NYSERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For NYSTRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For NYSERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For NYSTRS, the actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

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

| | <u>NYSERS</u> | | <u>NYSTRS</u> | |
|----------------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| | <u>Target Allocation</u> | <u>Long-term Rate</u> | <u>Target Allocation</u> | <u>Long-term Rate</u> |
| Measurement date | March 31, 2017 | March 31, 2017 | June 30, 2016 | June 30, 2016 |
| Asset type | | | | |
| Absolute Return Strategies | 2.00% | 4.00% | - | - |
| Bonds and Mortgages | 17.00% | 1.31% | 8.00% | 3.10% |
| Cash | 1.00% | (0.25%) | - | - |
| Domestic Equity | 36.00% | 4.55% | 37.00% | 6.10% |
| Domestic Fixed Income | - | - | 17.00% | 1.00% |
| Global Fixed Income | - | - | 2.00% | 0.8% |
| Inflation-Indexed Bonds | 4.00% | 1.50% | - | - |
| International Equity | 14.00% | 6.35% | 18.00% | 7.30% |
| Opportunistic Portfolio | 3.00% | 5.89% | - | - |
| Private Equity | 10.00% | 7.75% | 7.00% | 9.20% |
| Real Assets | 3.00% | 5.54% | - | - |
| Real Estate | 10.00% | 5.80% | 10.00% | 5.40% |
| Short-term | - | - | 1.00% | 10.00% |
| | <u>100%</u> | | <u>100%</u> | |

Discount rate

The discount rate used to calculate the total pension liability was 7.0% for NYSERS and 7.5% for NYSTRS.

The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension 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 7.0% for NYSERS and 7.5% for NYSTRS, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0% for NYSERS and 6.5% for NYSTRS) or 1% point higher (8.0% for NYSERS and 8.5% for NYSTRS) than the current rate:

| | 1% Decrease (6.00%) | Current assumption (7.00%) | 1% Increase (8.00%) |
|---|------------------------|----------------------------------|------------------------|
| <u>NYSERS</u> | | | |
| Employer's proportionate share of the net pension asset/(liability) | \$ (10,504,866) | \$ (3,289,141) | \$ 2,811,740 |
| | | | |
| | 1% Decrease (6.50%) | Current assumption (7.50%) | 1% Increase (8.50%) |
| <u>NYSTRS</u> | | | |
| Employer's proportionate share of the net pension asset/(liability) | \$ (29,787,897) | \$ (2,283,075) | \$ 20,786,529 |

Pension plan fiduciary net position

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

| | (Dollars in Thousands) | | |
|--|------------------------|-----------------------|------------------------|
| | <u>NYSERS</u> | <u>NYSTRS</u> | <u>Total</u> |
| Valuation date | April 1, 2016 | June 30, 2015 | |
| Employers' total pension liability | \$ (177,400,586) | \$ (108,577,184) | \$ (285,977,770) |
| Plan net position | <u>168,004,363</u> | <u>107,506,142</u> | <u>275,510,505</u> |
| Employers' net pension liability | <u>\$ (9,396,223)</u> | <u>\$ (1,071,042)</u> | <u>\$ (10,467,265)</u> |
| Ratio of plan net position to the employers' total pension liability | <u>94.70%</u> | <u>99.01%</u> | <u>96.34%</u> |

Payables to the pension plan

For NYSERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid NYSERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$452,907.

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the system in September, October and November 2017 through a State aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid NYSTRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the NYSTRS System. Accrued retirement contributions including employee contributions, as of June 30, 2017 amounted to \$4,182,744.

9. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

| | Interfund | | Interfund | |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
| | Receivable | Payable | Transfers in | Transfers out |
| General Fund | \$ 795,348 | \$ - | \$ 119,404 | \$ 6,839,260 |
| Special Aid Fund | 798,539 | 1,411,689 | 71,779 | - |
| School Lunch Fund | - | 5,747 | - | - |
| Special Purpose Fund | 75,967 | - | - | - |
| Debt Service Fund | 88 | - | 6,282,481 | - |
| Capital Projects Fund | - | 65,864 | 485,000 | 119,404 |
| Fiduciary Funds | - | 186,642 | - | - |
| Totals | <u>\$ 1,669,942</u> | <u>\$ 1,669,942</u> | <u>\$ 6,958,664</u> | <u>\$ 6,958,664</u> |

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

10. OTHER POST-EMPLOYMENT BENEFITS ("OPEB")

Plan description and annual OPEB cost

The District provides post-employment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The District belongs to a cooperative health plan, described elsewhere in these notes, financial statements are not publicly available. New York State law does not allow for the establishment of an OPEB trust, and as such there are no assets attributable to the Plan. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District implemented the GASB Standard, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, in the school year ended June 30, 2009. This requires the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, 199 retired employees receive health benefits from the District. The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2017, the District recognized \$2,270,721 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2016 which indicates that the total liability for other post-employment benefits is \$126,978,725 (\$36,378,475 related to retirees and \$90,600,250 related to employees).

The District's annual OPEB cost (expense) is calculated based on the *annual required contribution* ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty 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:

| | For the Year Ended <u>06/30/2017</u> |
|--|--|
| Annual required contribution | \$ 7,927,294 |
| Interest on net OPEB obligation | 1,986,528 |
| Adjustment to annual required contribution | <u>(2,461,620)</u> |
| Annual OPEB cost | 7,452,202 |
| Contributions made | <u>2,270,721</u> |
| Increase in net OPEB obligation | 5,181,481 |
| Net OPEB obligation, beginning of year | <u>39,730,553</u> |
| Net OPEB obligation, end of year | <u><u>\$ 44,912,034</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the two preceding years were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---|--------------------------------|
| 06/30/2017 | \$ 7,452,202 | 30.5% | \$ 39,730,553 |
| 06/30/2016 | 7,300,812 | 32.4% | 44,912,034 |
| 06/30/2015 | 6,910,373 | 32.6% | 34,796,452 |

Funded status and funding progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$126,978,725 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$126,978,725. The covered payroll (annual payroll of active employees covered by the plan) was \$48,480,000, and the ratio of the UAAL to the covered payroll was 261.9%. Actuarial valuations of an ongoing plan involve 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 schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions

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

In the July 1, 2016 actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 3.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5% initially, reduced by .5% decrements to an ultimate rate of 4.5% in 2022. Both rates included a 2.6% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017 was 21 years.

11. RISK MANAGEMENT

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

The District purchases various insurance coverages from the Company to reduce its exposure to loss. The District maintains a general liability insurance policy with coverage up to \$1 million for each occurrence. The District maintains a liability policy for school board members with coverage up to \$1 million and \$2 million in the aggregate. The District also maintains an umbrella policy with coverage up to \$20 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District and neighboring school districts in Southern Westchester County participate in the State-Wide Schools Cooperative Health Plan. This Plan operates under an agreement, as amended, dated December 12, 1985. The purpose of the Plan are to effect cost savings in members' expenses for health coverage; to provide for centralized administration, funding and disbursements for health coverage; and to provide for such risk management services as may be appropriate to reduce future expense and liability for health coverage. The governance of the Plan shall be in all respects in the hands of the Board of Trustees. The Board of Trustees shall consist of seven trustees elected by the general membership of the Plan. No action may be taken by the Board of Trustees except by a vote of a majority of the total number of trustees. Billings to participants are based upon coverage provided to each participant's employees. The District has transferred all related risk to the Plan.

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

12. CONTINGENCIES AND COMMITMENTS

Government 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 years' experience, the District's administration believes disallowances, if any, would be immaterial.

Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years through at least June 15, 2020, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2 percent or the rate of inflation (but not less than 0 percent), whichever is less, with some exceptions. The New York State Comptroller set the allowable levy growth factor for school districts for fiscal years beginning July 1, 2016 at .12 percent (before exemptions). School districts can exceed the tax levy limit by a 60 percent vote of the governing body, or by local law.

Service concession arrangements

In accordance with GASB Pronouncements, the District is required to recognize a liability for certain obligations to sacrifice financial resources (i.e. capital improvements) under the terms of a service concession arrangement or, a deferred inflow for up-front or installment payments received from the operator in advance of the revenue being earned. The District did not have any service concession arrangements for the fiscal year ended June 30, 2017, and accordingly, no liability or deferred inflow of resources was reflected on the District's financial statements.

Litigation

The District is involved in lawsuits arising from the normal conduct of business. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

13. FUTURE ACCOUNTING STANDARDS

GASB has issued Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

GASB has issued Statement No. 82, Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73, which addresses the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from actuarial standards, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB has issued Statement No. 83, Certain Asset Retirement Obligations, which addresses the accounting and financial reporting for certain asset retirement obligations ("AROs").

GASB has issued Statement No. 85, Omnibus 2017, which addresses practice issues that have been identified during implementation and application of certain GASB statements, including: blending component units, goodwill, fair value measurement, and post-employment benefits.

GASB has issued Statement No. 86, Certain Debt Extinguishment Issues, which addresses the aim to improve consistency in accounting and financial reporting for in-substance defeasance of debt.

GASB has issued Statement No. 87, Leases, which addresses improving accounting and financial reporting for leases by governments.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

14. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of October 10, 2017, which is the date the financial statements were available to be issued, noting no matters requiring further financial statement disclosures.

BYRAM HILLS CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Adopted Budget | Final Budget | Actual | Year-end Encumbrances | Variance |
|--|-------------------|-----------------|---------------|--------------------------|-------------|
| REVENUES | | | | | |
| Local sources: | | | | | |
| Real property taxes | \$ 74,912,084 | \$ 74,912,084 | \$ 74,842,147 | | \$ (69,937) |
| Other tax items | 6,769,204 | 6,769,204 | 6,943,399 | | 174,195 |
| Non-property tax items | 575,000 | 575,000 | 608,041 | | 33,041 |
| Charges for services | 135,000 | 135,000 | 136,650 | | 1,650 |
| Use of money and property | 38,000 | 38,000 | 82,085 | | 44,085 |
| Sale of property and compensation for loss | - | - | 60,671 | | 60,671 |
| Miscellaneous | 300,000 | 307,500 | 434,374 | | 126,874 |
| Total local sources | 82,729,288 | 82,736,788 | 83,107,367 | | 370,579 |
| State sources | 3,400,000 | 3,400,000 | 4,255,836 | | 855,836 |
| Total revenues | 86,129,288 | 86,136,788 | 87,363,203 | | 1,226,415 |
| OTHER FINANCING SOURCES | | | | | |
| Appropriated reserves | 3,752,158 | 4,032,884 | - | | (4,032,884) |
| Total revenues and other financing sources | 89,881,446 | 90,169,672 | 87,363,203 | | (2,806,469) |
| EXPENDITURES | | | | | |
| General support: | | | | | |
| Board of Education | 85,700 | 85,700 | 68,016 | \$ - | 17,684 |
| Central administration | 410,032 | 417,319 | 396,740 | - | 20,579 |
| Finance | 1,152,205 | 1,338,266 | 1,304,660 | 1,360 | 32,246 |
| Staff | 396,541 | 403,370 | 385,764 | - | 17,606 |
| Central services | 6,805,557 | 7,163,085 | 6,649,711 | 319,416 | 193,958 |
| Special items | 894,411 | 894,412 | 700,121 | - | 194,291 |
| Total general support | 9,744,446 | 10,302,152 | 9,505,012 | 320,776 | 476,364 |
| Instruction: | | | | | |
| Instruction, administration and improvement | 3,555,345 | 3,595,544 | 3,513,906 | - | 81,638 |
| Teaching - regular school | 26,132,341 | 25,764,601 | 25,624,262 | 4,729 | 135,610 |
| Programs for children with handicapping conditions | 9,643,961 | 9,945,806 | 9,339,634 | - | 606,172 |
| Teaching - special school | 136,414 | 136,414 | 28,964 | - | 107,450 |
| Instructional media | 4,278,392 | 4,455,009 | 4,118,882 | 53,440 | 282,687 |
| Pupil services | 4,421,327 | 4,491,686 | 4,270,646 | 2,740 | 218,300 |
| Total instruction | 48,167,780 | 48,389,060 | 46,896,294 | 60,909 | 1,431,857 |
| Pupil transportation | 4,108,358 | 4,216,451 | 3,951,441 | - | 265,010 |
| Employee benefits | 21,018,380 | 20,419,527 | 19,506,148 | - | 913,379 |
| Total expenditures | 83,038,964 | 83,327,190 | 79,858,895 | 381,685 | 3,086,610 |
| OTHER FINANCING USES | | | | | |
| Operating transfers in | - | - | 119,404 | - | 119,404 |
| Operating transfers out | 6,842,482 | 6,842,482 | 6,839,260 | - | 3,222 |
| Total expenditures and other financing uses | 89,881,446 | 90,169,672 | 86,578,751 | \$ 381,685 | 3,209,236 |
| Net change in fund balance | \$ - | \$ - | 784,452 | | \$ 402,767 |
| Fund balance, beginning of year | | | 26,578,722 | | |
| Fund balance, end of year | | | \$ 27,363,174 | | |

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.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**BYRAM HILLS CENTRAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u> |
|---|--|--|--|-----------------------------------|--------------------------------------|--|
| 07/01/16 | \$ - | \$ 126,978,725 | \$ 126,978,725 | 0% | \$ 48,480,000 | 261.9% |
| 07/01/14 | - | 67,636,817 | 67,636,817 | 0% | 39,490,500 | 171.3% |
| 07/01/12 | - | 68,338,049 | 68,338,049 | 0% | 40,604,003 | 168.3% |

**REQUIRED
SUPPLEMENTARY
INFORMATION**

BYRAM HILLS CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>**2014</u> | <u>**2013</u> | <u>**2012</u> | <u>**2011</u> | <u>**2010</u> | <u>**2009</u> | <u>**2008</u> |
|--|-------------|-------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportionate share of the net pension liability | 0.02430% | 0.03538% | 0.03459% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension liability | \$ (3,289) | \$ (5,679) | \$ (1,169) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's covered payroll | \$ 10,504 | \$ 10,558 | \$ 10,328 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension liability as a percentage of covered payroll | 31.31% | 53.79% | 11.32% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 94.70% | 90.68% | 97.90% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

N/A = Not available

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

BYRAM HILLS CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET(LIABILITY) - NYSTRS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>**2014</u> | <u>**2013</u> | <u>**2012</u> | <u>**2011</u> | <u>**2010</u> | <u>**2009</u> | <u>**2008</u> |
|--|-------------|-------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportionate share of the net pension asset (liability) | 0.213164% | 0.214345% | 0.213651% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension asset (liability) | \$ (2,283) | \$ 22,264 | \$ 23,799 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's covered payroll | \$ 34,204 | \$ 32,010 | \$ 31,542 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension asset as a percentage of covered payroll | 6.67% | 69.55% | 75.45% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension asset (liability) | 99.01% | 110.46% | 111.48% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

* The amounts presented for each fiscal year were determined (bi-annually) as of June 30.

N/A = Not available

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

BYRAM HILLS CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>**2014</u> | <u>**2013</u> | <u>**2012</u> | <u>**2011</u> | <u>**2010</u> | <u>**2009</u> | <u>**2008</u> |
|---|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 1,581 | \$ 1,777 | \$ 1,957 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions in relation to the contractually required contribution | <u>1,581</u> | <u>1,777</u> | <u>1,957</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 10,504 | \$ 10,558 | \$ 10,328 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered-employee payroll | 15.05% | 16.83% | 18.95% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

N/A = Not available

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

BYRAM HILLS CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - NYSTRS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>**2014</u> | <u>**2013</u> | <u>**2012</u> | <u>**2011</u> | <u>**2010</u> | <u>**2009</u> | <u>**2008</u> |
|---|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 4,012 | \$ 4,383 | \$ 5,611 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions in relation to the contractually required contribution | <u>4,012</u> | <u>4,383</u> | <u>5,611</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 34,204 | \$ 32,010 | \$ 31,542 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered-employee payroll | 11.73% | 13.69% | 17.79% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

* The amounts presented for each fiscal year were determined (bi-annually) as of June 30.

N/A = Not available

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**OTHER
SUPPLEMENTARY
INFORMATION**

**BYRAM HILLS CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

Change from adopted budget to final budget:

| | | |
|---------------------------|--|-----------------------------|
| Adopted budget | | \$ 89,881,446 |
| Add: | | |
| Prior year's encumbrances | | <u>280,726</u> |
| Original budget | | 90,162,172 |
| Budget revisions: | | |
| Donations | | <u>7,500</u> |
| Final budget | | <u><u>\$ 90,169,672</u></u> |

Section 1318 of Real Property Tax Law Limit calculation:

| | | |
|---|--|-----------------------------|
| 2017-2018 voter-approved expenditure budget | | <u><u>\$ 90,590,230</u></u> |
| Maximum allowed (4% of 2017-2018 budget) | | <u><u>\$ 3,623,609</u></u> |

General Fund fund balance subject to §1318 of Real Property Tax Law:

| | | | |
|---|------------------|----|-------------------------|
| Unrestricted fund balance: | | | |
| Assigned fund balance | \$ 3,391,038 | | |
| Unassigned fund balance | <u>3,623,609</u> | \$ | 7,014,647 |
| Less: | | | |
| Appropriated fund balance | 3,009,353 | | |
| Encumbrances | <u>381,685</u> | | <u>3,391,038</u> |
| General Fund fund balance subject to §1318 of Real Property Tax Law | | \$ | <u><u>3,623,609</u></u> |
| Actual percentage | | | <u><u>4.00%</u></u> |

OTHER
SUPPLEMENTARY
INFORMATION

BYRAM HILLS CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017

| Project Title | Original Budget | Revised Budget | Expenditures | | | Unexpended Balance | Methods of Financing | | | | Fund Balance June 30, 2016 |
|---|--------------------|-------------------|----------------|-----------------|--------------|-----------------------|------------------------|------------|---------------|--------------|-------------------------------|
| | | | Prior Years | Current Year | Total | | Interfund Transfers | State Aid | Local Sources | Total | |
| Excel Projects | \$ 2,031,269 | \$ 2,031,269 | \$ 1,952,637 | \$ 78,632 | \$ 2,031,269 | \$ - | \$ 1,168,000 | \$ 863,269 | \$ - | \$ 2,031,269 | \$ - |
| High School Roof | 200,000 | 200,000 | 198,103 | 1,897 | 200,000 | - | 200,000 | - | - | 200,000 | - |
| Wampus Partial Roof Replacement and District- Wide Energy Projects - 2011/2012 | 556,000 | 556,000 | 512,941 | 43,059 | 556,000 | - | 556,000 | - | - | 556,000 | - |
| Wampus Boilers | 361,698 | 361,698 | 362,769 | (4,184) | 358,585 | 3,113 | 358,585 | - | - | 358,585 | - |
| Bus Garage Reconstruction | 3,358,633 | 3,358,633 | 1,165,850 | 95,650 | 1,261,500 | 2,097,133 | 1,261,500 | - | - | 1,261,500 | - |
| Fuel Tank Replacement | 250,000 | 295,000 | 229,891 | 44,885 | 274,776 | 20,224 | 295,000 | - | - | 295,000 | 20,224 |
| HCC Repave Circle | 55,000 | 75,000 | 49,688 | 20,000 | 69,688 | 5,312 | 75,000 | - | - | 75,000 | 5,312 |
| Wampus HVAC Work | 272,640 | 297,640 | 219,065 | 16,465 | 235,530 | 62,110 | 297,640 | - | - | 297,640 | 62,110 |
| Corman Hill Various Projects | 233,872 | 293,872 | 204,258 | 60,000 | 264,258 | 29,614 | 293,872 | - | - | 293,872 | 29,614 |
| BHHS Various Projects | 398,360 | 628,360 | 370,565 | 86,572 | 457,137 | 171,223 | 623,360 | - | - | 623,360 | 166,223 |
| O and M Construction | 60,000 | 60,000 | 43,500 | - | 43,500 | 16,500 | 60,000 | - | - | 60,000 | 16,500 |
| Admin. Building Construction | 85,000 | 85,000 | - | 84,283 | 84,283 | 717 | 85,000 | - | - | 85,000 | 717 |
| District-Wide Various Projects | 77,128 | 97,128 | 45,865 | 265,906 | 311,771 | (214,643) | 97,128 | - | - | 97,128 | (214,643) |
| Totals | \$ 7,939,600 | \$ 8,339,600 | \$ 5,355,132 | \$ 793,165 | \$ 6,148,297 | \$ 2,191,303 | \$ 5,371,085 | \$ 863,269 | \$ - | \$ 6,234,354 | \$ 86,057 |

**OTHER
SUPPLEMENTARY
INFORMATION**

**BYRAM HILLS CENTRAL SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2017**

| | | |
|---|---------------------|-----------------------------|
| Capital assets, net | | \$ 75,097,453 |
| Add: | | |
| Deferred inflow from issuance of bonds, net of amortization | \$ 2,298,958 | |
| Deduct: | | |
| Short-term portion of bonds payable, net | (5,483,119) | |
| Long-term portion of bonds payable, net | <u>(27,437,344)</u> | <u>(30,621,505)</u> |
| Net investment in capital assets | | <u><u>\$ 44,475,948</u></u> |

BYRAM HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON EXTRACLASSROOM
ACTIVITY FUNDS FINANCIAL STATEMENTS**

To the Board of Education of the
Byram Hills Central School District
Armonk, New York:

We have audited the accompanying statements of cash receipts and disbursements of the various Extraclassroom Activity Funds of the Byram Hills Central School District (the "District") for the year ended June 30, 2017, and the related note to financial statements, which collectively comprise the financial statements of the District's Extraclassroom Activity Funds.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements are free of material misstatement.

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

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

Opinion

In our opinion, the statement of cash receipts and disbursements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of the Byram Hills Central School District for the year ended June 30, 2017 in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Melville, New York
October 10, 2017

NawrockiSmith LLP

BYRAM HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

| | Cash Balances July 1, 2016 | Receipts | Disbursements | Cash Balances June 30, 2017 |
|---------------------------|----------------------------------|----------------------|----------------------|-----------------------------------|
| High School: | | | | |
| Class of 16 | \$ 6,274.73 | \$ - | \$ 6,274.73 | \$ - |
| Class of 17 | 6,815.58 | 41,866.00 | 45,946.54 | 2,735.04 |
| Class of 18 | 3,006.25 | 5,978.00 | 4,910.67 | 4,073.58 |
| Class of 19 | 1,486.06 | 1,565.00 | 386.57 | 2,664.49 |
| Class of 20 | - | 5,565.00 | 2,710.51 | 2,854.49 |
| Arch Yearbook | 33,094.00 | 6,959.90 | 6,960.85 | 33,093.05 |
| Art Team | 445.65 | 35.72 | 78.14 | 403.23 |
| Band | 453.00 | 4,138.00 | 4,196.75 | 394.25 |
| Choir | 3,247.86 | 10,999.83 | 10,967.08 | 3,280.61 |
| Debate Team | 189.00 | 36,647.00 | 31,505.99 | 5,330.01 |
| Grade Activities Board | 8,819.15 | 2,820.00 | 5,119.90 | 6,519.25 |
| Harvard Model Congress | 146.00 | 6,800.00 | 6,695.83 | 250.17 |
| Homecoming | 724.78 | 2,000.00 | 1,088.17 | 1,636.61 |
| Interact Club | 1,577.22 | 3,883.00 | 3,688.81 | 1,771.41 |
| One World | 548.09 | 915.00 | 1,303.43 | 159.66 |
| Orchestra | 33.50 | 2,416.00 | 2,234.75 | 214.75 |
| Outdoor Club | 778.39 | 655.00 | 690.00 | 743.39 |
| Red Ribbon | 69.92 | 220.00 | 67.81 | 222.11 |
| Science Research | 718.15 | 3,401.18 | 2,696.16 | 1,423.17 |
| Stage | 18,768.00 | 53,842.67 | 53,486.37 | 19,124.30 |
| Stage II | 6,056.67 | 12,592.00 | 10,924.83 | 7,723.84 |
| Student General Fund | 2,375.00 | 17,106.52 | 16,556.62 | 2,924.90 |
| Students Serving Soldiers | 2,737.00 | 4,644.00 | 3,886.14 | 3,494.86 |
| Y.A.C. | 1,721.17 | 1,810.00 | 1,733.30 | 1,797.87 |
| Youth to Youth | 1,982.75 | 16.26 | 290.18 | 1,708.83 |
| | <u>\$ 102,067.92</u> | <u>\$ 226,876.08</u> | <u>\$ 224,400.13</u> | <u>\$ 104,543.87</u> |

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

BYRAM HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
(continued)
FOR THE YEAR ENDED JUNE 30, 2017

| | Cash Balances July 1, 2016 | Receipts | Disbursements | Cash Balances June 30, 2017 |
|----------------------|---|----------------------|----------------------|--|
| Middle School: | | | | |
| Boston Trip | \$ 63,649.89 | \$ 86,516.24 | \$ 81,476.56 | \$ 68,689.57 |
| Drama Club | 6,732.21 | 7,389.00 | 8,655.16 | 5,466.05 |
| General Organization | 11,382.85 | 3,464.00 | 6,419.31 | 8,427.54 |
| Power of One Club | 417.47 | 2,068.00 | 2,411.50 | 73.97 |
| School Store | 480.42 | 2,403.92 | 2,813.51 | 70.83 |
| Student Council | 4,078.54 | 1,560.00 | 579.74 | 5,058.80 |
| Variety Show | 5,763.62 | 890.00 | 2,296.84 | 4,356.78 |
| Washington | 17,211.38 | 152,476.50 | 162,382.89 | 7,304.99 |
| Yearbook | 8,384.92 | 1,550.00 | 1,404.79 | 8,530.13 |
| | <u>\$ 118,101.30</u> | <u>\$ 258,317.66</u> | <u>\$ 268,440.30</u> | <u>\$ 107,978.66</u> |

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

BYRAM HILLS CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Byram Hills Central School District.

The accounts of the Extraclassroom Activity Funds of the District are maintained on a cash basis, and the statement of cash receipts and disbursements reflect only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under accounting principles generally accepted in the United States of America, and which may be material in amount, are not recognized in the accompanying financial statements.



CERTIFIED PUBLIC ACCOUNTANTS

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 of the
Byram Hills Central School District
Armonk, 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 fiduciary funds of the Byram Hills Central School District (the "District") as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 10, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

NawrockiSmith

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melville, New York
October 10, 2017

Nawrocki Smith LLP

BYRAM HILLS CENTRAL SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017

The following presents our findings and recommendations noted during the audit of the financial statements of the Byram Hills Central School District as of and for the year ended June 30, 2017, as well as the status of recommendations made in connection with prior audits of the financial statements.

CURRENT YEAR RECOMMENDATIONS:

1. **Payroll reconciliation**

We noted that the District does not perform a reconciliation of the general ledger payroll accounts to be federal quarterly tax filings (i.e. Form 941's). This situation increases the risk of improper payroll accounts being recorded and going undetected.

We recommend that reconciliations of the general ledger to the quarterly tax filings be performed on a quarterly basis. This reconciliation should also be reviewed by someone independent of the payroll processing function. In this manner, internal control over payroll expenditures may be enhanced.

2. **Detailed accounts payable listings**

We noted that the District does not maintain a detailed listing of its accounts payable general ledger amounts. As such, increased effort was needed to reconcile year-end balances.

We recommend detailed listings for accounts payable be prepared and reconciled to the general ledger at year end. This procedure will provide for more accurate accounting and financial reporting at year end.

3. **Reserve for Retirement Contributions**

During our review of the District's restricted fund balances, we noted the amount maintained in the retirement reserve account exceeds identifiable future expenditures.

We recommend that the District perform a detailed review of all fund balance reserve accounts and develop policies and procedures to comply with all New York State requirements with respect to balances maintained. In this manner, all fund balance reserve accounts may be properly maintained and supported.

4. **Journal entries request forms and electronic approval**

During our review of journal entries, we noted the date of approval is not documented on the journal entry form. This situation increases the risk that journal entries are not being approved on a timely basis and potential journal entry errors are not identified in a timely fashion.

We recommend that the reviewer document the date of their approval on the journal entry request form to ensure that journal entries are approved on a timely basis. In this manner, internal control over the District's journal entry process may be enhanced.

5. **Vendor database analysis**

We noted that the vendor database contains duplicate or inactive vendors. Duplicates or inactive vendors in the vendor master file increases the risk of duplication of unauthorized payments.

We recommended that the District conduct an annual review of the entire vendor database to determine if duplicate vendors or vendors who have not been paid within the last two or more years should be inactivated.

STATUS OF PRIOR YEAR RECOMMENDATIONS:

1. It was recommended that the District not excess fund the insurance reserve.

During our audit, we noted that this recommendation was in the process of being implemented.

2. It was recommended that the District not over fund the School Lunch Fund.

During our audit, we noted that this recommendation was in the process of being implemented.

3. It was recommended that the District setup the payroll change reports in the new accounting system.

During our audit, we noted that this recommendation was implemented.

4. It was recommended that the District limit the amount of users able to add employees to payroll.

During our audit, we noted that this recommendation was implemented.