

**Irvington Union Free School District
Financial Statements
as of
June 30, 2016
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

October 13 2016

The Board of Education of
Irvington Union Free School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress – other post-employment benefit plans, schedule of proportionate share of net pension liability (asset), and schedule of contributions – pension plans on pages 3 through 13 and 49 through 53 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 information on pages 54 through 56, as required by the New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other information included on pages 54 through 56 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016 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.

IRVINGTON UNION FREE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2016

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2016. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed, as well as a comparative analysis to prior year information. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- New York State Law limits the unassigned fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. As of June 30, 2016, the total fund balance of the General Fund was \$6,080,771. Of this amount, \$1,166,386 has been assigned (designated) for subsequent year's expenditures. The unassigned fund balance is \$2,333,200 which represents 4% of the subsequent year's budget and therefore, falls within the 4% statutory limit. This amount is available for spending at the discretion of the School District. The remainder of the fund balance of \$2,581,185 has been restricted for specific purposes.
- On May 17, 2016 the District's residents authorized the proposed 2016-17 budget in the amount of \$58,330,000.
- On October 27, 2015, the District issued \$4.6 million of Capital Construction Serial Bonds. The Board of Education authorized the issuance of these bonds, to finance the construction of improvements to all district school buildings and/or sites, on December 15, 2014.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the School District's operations in more detail than the entity-wide statements.
- The *governmental fund 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.

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others, including the employees of the District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The 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 Major Features of the District-Wide and Fund Financial Statements

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

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the School District, such as instruction and special education.	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities 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 revenue, expenditures, and changes in fund balance. 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in 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 inflows-outflows of resources/ liability information	All assets, deferred inflows/outflows of resources, and liabilities, both financial and capital, short-term and long-term debt	Assets, deferred inflows/outflows of deferred resources, and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue 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.

A. District-Wide Statements

The district-wide 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 inflow/outflows of resources, and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

A. District-Wide Statements (Continued)

The two district-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows/outflows of resources, and liabilities – are 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 position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

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.

Net position of the governmental activities differ from the governmental fund balance because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources, (dollars), are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balance.

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expense using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets.
 - Restricted net position has constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

B. Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The District has two kinds of funds:

- *Governmental Funds*: Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- *Fiduciary Funds*: The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School 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 School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

Table A-2 Condensed Statement of Net Position

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change	Percent Change
Current and other assets	\$ 15,895,591	\$ 13,994,251	1,901,340	13.6%
Non-current assets	55,371,750	57,362,859	(1,991,109)	-3.5%
Total assets	<u>71,267,341</u>	<u>71,357,110</u>	<u>(89,769)</u>	<u>-0.1%</u>
Deferred outflows of resources	6,035,321	5,133,294	902,027	17.6%
Total Assets and Deferred Outflows	<u><u>77,302,662</u></u>	<u><u>76,490,404</u></u>	<u><u>812,258</u></u>	<u><u>1.1%</u></u>
Current liabilities	9,121,357	9,575,520	(454,163)	-4.7%
Long-term liabilities	89,949,920	84,686,251	5,263,669	6.2%
Total liabilities	<u>99,071,277</u>	<u>94,261,771</u>	<u>1,231,240</u>	<u>5.1%</u>
Deferred inflows of resources	5,653,475	10,467,670	(4,814,195)	100.0%
Net position:				
Net investment in capital assets	3,797,137	7,263,965	(3,466,828)	-47.7%
Restricted	2,581,185	4,035,835	(1,454,650)	-36.0%
Unrestricted	<u>(33,800,412)</u>	<u>(39,538,839)</u>	<u>5,738,427</u>	<u>-14.5%</u>
Total net position	<u>(27,422,090)</u>	<u>(28,239,039)</u>	<u>816,949</u>	<u>-2.9%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 77,302,662</u></u>	<u><u>\$ 76,490,404</u></u>	<u><u>2,048,191</u></u>	<u><u>1.1%</u></u>

The current and other assets balance as of June 30, 2016 was \$15,891,591. The increase of \$1,901,340 over the prior year balance is primarily due to an increase in the cash balance.

The non-current assets balance as of June 30, 2016 was \$55,371,750. The decrease of \$1,991,109 over the prior year balance is due to: 1) a decrease in net Capital Assets due to depreciation and 2) a decrease in the District's portion of net pension asset for the teachers' retirement system (See Note 1 for further discussion).

The deferred outflows of resources increased over the prior year balance by \$902,027 due to the required implementation of the new pension accounting and reporting Statement discussed in Note 1 which requires the recording of various aspects of the District's retirement plans' in this financial statement category.

The current liabilities balance as of June 30, 2016 was \$9,121,357. The decrease of \$454,165 over the prior year balance is mainly due to a decrease in accounts payable and accrued expenses offset by an increase in the current portion of long term debt.

The deferred inflows of resources of \$5,653,475 decreased by \$4,814,195 over prior year due to the effects of the pension accounting and reporting Statement discussed in Note 1 which requires the recording of various aspects of the District's retirement plans in this financial statement category.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

A. Net Position (Continued)

Table A-2 Condensed Statement of Net Position (Continued)

The net investment in capital asset, relates to the investment in capital assets at cost such as land, construction in progress, buildings and improvements, and machinery & equipment, net of depreciation and related debt. This decrease of \$3,466,828 from year to year is due to depreciation of assets and decrease in premium on bonds payable.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities and Changes in Net Position. The District's net position increased by \$816,949 in the fiscal year ended June 30, 2016. A summary for the years ended June 30, 2016 and 2015 is as follows:

Table A-3 Changes in Net Position

	Fiscal Year 2016	2015 As Restated	Dollar Change	Percent Change
<u>Revenue</u>				
Program Revenue:				
Charges for services	\$ 1,319,358	\$ 1,577,175	\$ (257,817)	-16.3%
Operating grants	643,605	668,417	(24,812)	-3.7%
General revenues:				
Real property taxes	46,680,888	44,820,003	1,860,885	4.2%
Other tax items	5,382,266	5,248,888	133,378	2.5%
Use of money and property	368,940	372,732	(3,792)	-1.0%
Sale of property/compensation for loss	9,800	1,566	8,234	525.8%
Federal and State sources	3,392,261	3,327,784	64,477	1.9%
Other	577,034	1,214,318	(637,284)	-52.5%
Total revenue	<u>58,374,152</u>	<u>57,230,883</u>	<u>\$ 1,143,269</u>	<u>2.0%</u>
<u>Expenses</u>				
General support	7,386,593	10,481,811	(3,095,218)	-29.5%
Instruction	45,537,419	45,441,341	96,078	0.2%
Pupil transportation	2,054,084	1,976,135	77,949	3.9%
Debt service - Interest	1,959,680	1,195,446	764,234	63.9%
School lunch program	619,427	579,035	40,392	7.0%
Total expenses	<u>57,557,203</u>	<u>59,673,768</u>	<u>(2,116,565)</u>	<u>-3.5%</u>
Increase (decrease) in net position	<u>\$ 816,949</u>	<u>\$ (2,442,885)</u>	<u>\$ 3,259,834</u>	<u>133.4%</u>

The District's fiscal year 2016 revenues totaled \$58,374,152. Real property taxes (including other tax items) and state and federal sources formula aid accounted for most of the District's revenue by contributing \$0.89 and \$0.06, respectively, of every dollar raised. The remainder of revenue was generated from fees charged for services, operating grants, use of money and property, and other miscellaneous sources.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

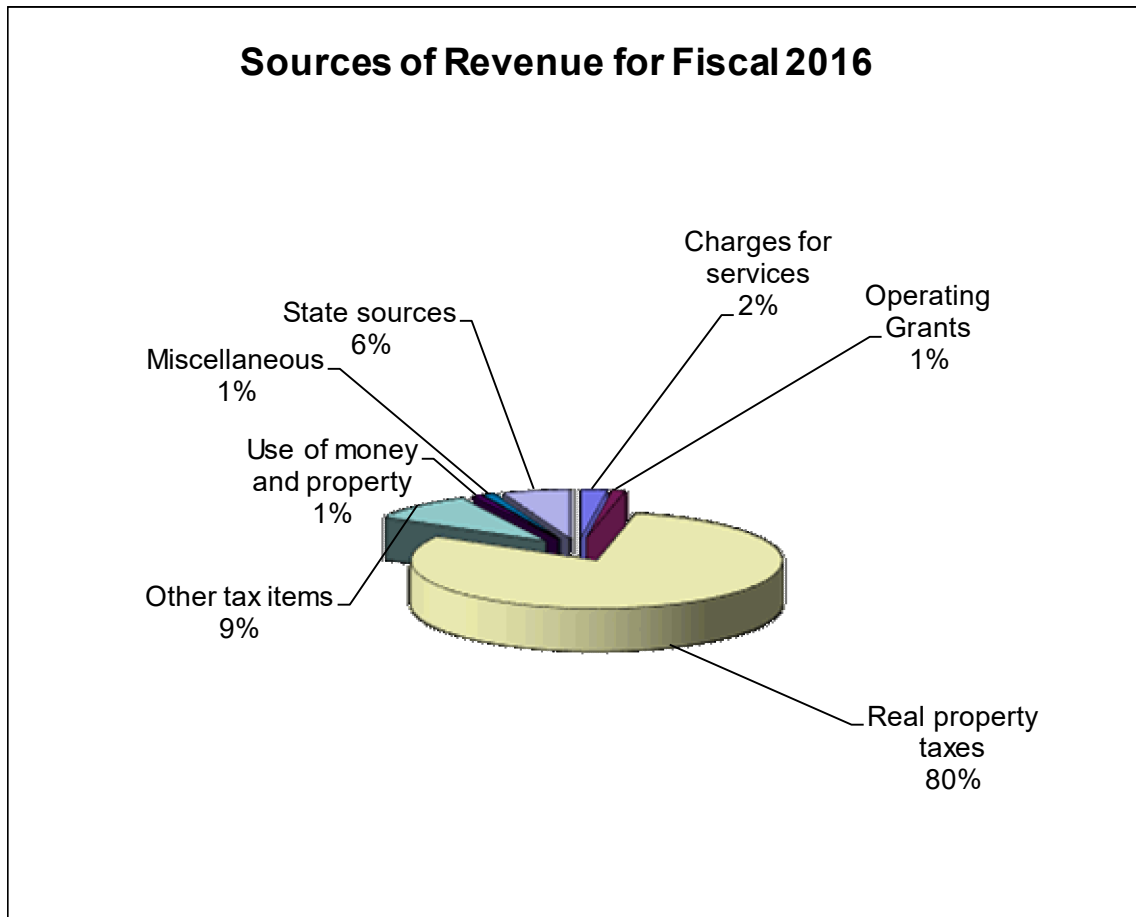
B. Changes in Net Position (Continued)

The District's fiscal year 2016 expenses totaled \$57,557,203. Costs to support general instruction and transportation accounted for 79% of District expenses. The District's general support activities accounted for 17% of total costs. General support decreased from the prior year primarily due to changes in estimates related to tax certioraris and long-term employee benefit liabilities.

The District's continued financial health, as a whole, can be credited to:

- Long-range financial planning in all programs
- Consistent District goals which are valued and fostered
- Continued strong leadership of the District's Board and administration
- Constant evaluation of ways to contain costs through increased efficiencies

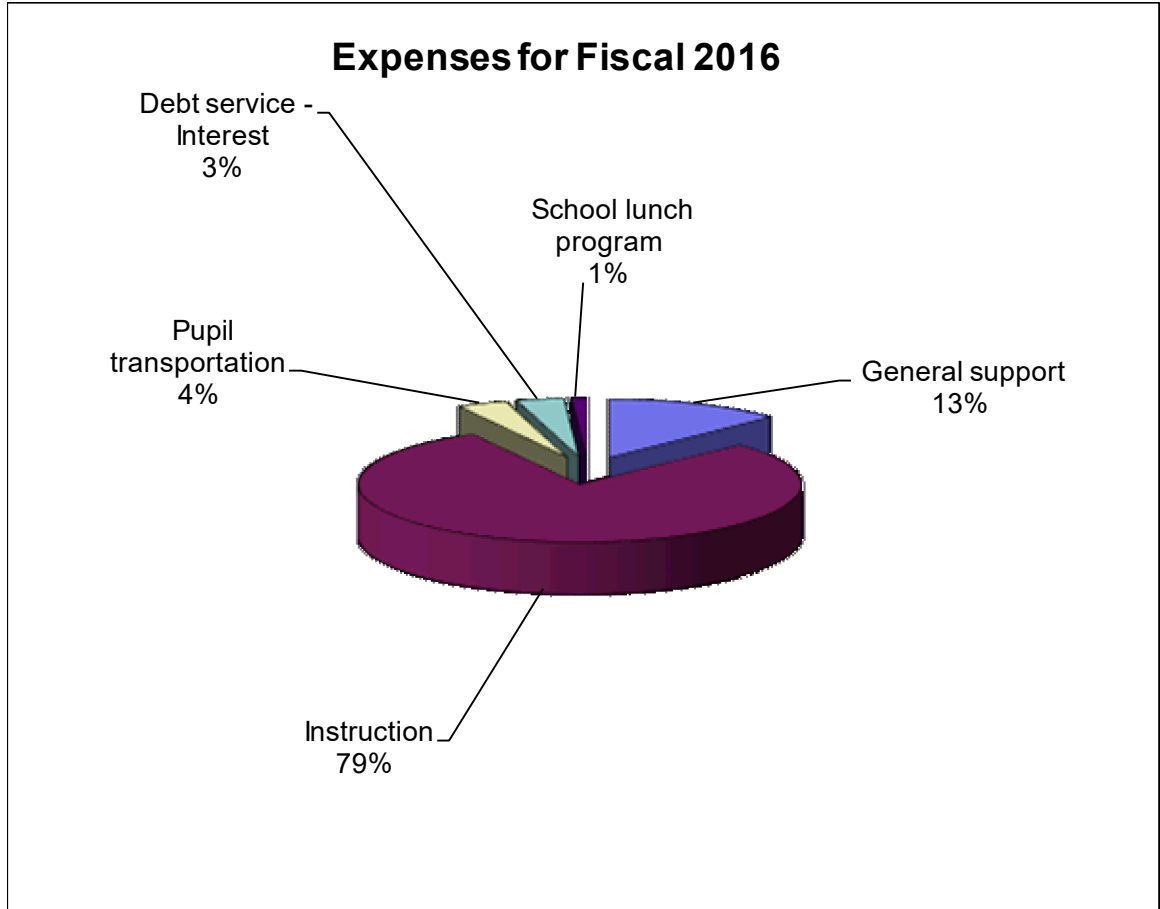
Table A-4 Sources of Revenue for Fiscal Year 2016:



3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

B. Changes in Net Position (Continued)

Table A-5 Expenses for Fiscal Year 2016:



4. FINANCIAL ANALYSIS OF THE DISTRICT FUNDS

As of June 30, 2016, the District's combined governmental funds reported a total fund balance of \$10,006,404, which is an increase of \$2,575,853 from the prior year.

Table A-6 Governmental Funds Highlights

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>	<u>Increase (Decrease)</u>	<u>Total % Change</u>
General Fund				
Restricted for Tax Certiorari	\$ 1,336,831	\$ 2,991,481	\$ (1,654,650)	-55.3%
Restricted for Retirement Contributions	854,354	854,354	-	0.0%
Restricted for Workers' Compensation	190,000	190,000	-	0.0%
Restricted for Capital Projects	200,000	-	200,000	100.0%
Assigned	1,166,386	963,161	203,225	21.1%
Unassigned	2,333,200	2,306,559	26,641	1.2%
Total Fund Balance - General	<u>6,080,771</u>	<u>7,305,555</u>	<u>(1,224,784)</u>	<u>-16.8%</u>
School Lunch Fund				
Assigned	111,176	124,996	(13,820)	-11.1%
Total Fund Balance - School Lunch	<u>111,176</u>	<u>124,996</u>	<u>(13,820)</u>	<u>-11.1%</u>
Capital Fund				
Unassigned	-	(105,472)	105,472	100.0%
Assigned	3,814,457	-	3,814,457	100.0%
Total Fund Balance - Capital	<u>3,814,457</u>	<u>(105,472)</u>	<u>3,814,457</u>	<u>3616.6%</u>
Total Fund Balance - All Funds	<u>\$ 10,006,404</u>	<u>\$ 7,325,079</u>	<u>\$ 2,681,325</u>	<u>36.6%</u>

A summary of the changes in fund balance for all funds is as follows:

- The general fund balance decreased by \$1,224,784 from year to year. The decrease in the Tax Certiorari restricted fund balance was offset by the addition of a capital reserve of \$200,000.
- The decrease in the school lunch fund balance is due to the expenditures exceeding revenue due to one-time purchases of cafeteria equipment.
- The Capital Fund balance of \$3,814,457 as of June 30, 2016, is attributable to the issuance of a capital construction bond in October of 2015.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

The District's voter approved general fund adopted budget for the year ended June 30, 2016 was \$57,664,000. This amount was increased by encumbrances carried forward from the prior year in the amount of \$541,161 and budget revisions in the amount of \$2,551,933, which resulted in a final budget of \$60,757,094. The majority of the funding was real property taxes and STAR revenue of \$51,579,672.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

By the end of 2016, the District had an investment of \$40,673,433 in a broad range of capital assets.

Table A-7: Capital Assets (Net of Accumulated Depreciation)

<u>Category</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2015</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Land	\$ 793,200	\$ 793,200	\$ -	0.0%
Construction in progress	359,128	577,412	(218,284)	-37.8%
Land improvements	2,039,989	2,156,701	(116,712)	-5.4%
Buildings and improvements	37,021,224	38,200,251	(1,179,027)	-3.1%
Furniture & Equipment	<u>459,892</u>	<u>481,411</u>	<u>(21,519)</u>	<u>-4.5%</u>
Total	<u>\$ 40,673,433</u>	<u>\$ 42,208,975</u>	<u>\$ (1,535,542)</u>	<u>-3.6%</u>

The total decrease of \$1,535,542 from 2015 to 2016 is mainly due to the depreciation of assets which was slightly offset by an increase in assets due to the completion of capital construction projects, mainly Dows Lane renovations for District Offices, during the year.

B. Debt Administration

At year-end, the District had \$91,625,369 of long-term liabilities outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Table A-8: Outstanding Long-Term Liabilities

<u>Category</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2015</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
General obligation bonds/long term BAN	\$ 41,756,296	\$ 40,925,010	\$ 831,286	2.0%
Other post employment benefits	46,023,058	40,832,356	5,190,702	12.7%
Judgments and claims	2,169,688	3,247,226	(1,077,538)	-33.2%
Other long-term liabilities	<u>1,676,327</u>	<u>1,745,195</u>	<u>(68,868)</u>	<u>-3.9%</u>
Total	<u>\$ 91,625,369</u>	<u>\$ 86,749,787</u>	<u>\$ 4,875,582</u>	<u>5.6%</u>

During the year, the District paid down its long-term debt by retiring \$2,710,000 of outstanding bonds and \$282,972 of other debt. The District's long term BAN was decreased during the year by \$700,000 from \$2,100,000 to \$1,400,000. As mentioned earlier, a \$4,600,000 Capital Construction Bond was issued during the year.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Additionally, other post-employment benefit payable was accrued during 2016 in the amount of \$5,190,702.

Judgements and claims, which relates to Tax Certiorari claims, decreased by \$1,077,538 from year to year. This was a result of claims being paid in the 2016 fiscal year.

7. FACTORS BEARING ON THE FUTURE OF THE DISTRICT

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

While the District has settled several significant tax certiorari cases in recent years, several unsettled cases remain. The results of these tax certiorari cases could impact future budgets.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Carol Stein
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IRVINGTON UNION FREE SCHOOL DISTRICT**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2016****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

CURRENT ASSETS:	
Cash - Unrestricted	\$ 12,049,270
Cash - Restricted	2,581,185
State and federal aid receivable	375,693
Accounts receivable	104,943
Due from fiduciary funds	4,179
Due from other governments	<u>780,321</u>
Total current assets	15,895,591
NON CURRENT ASSETS:	
Net pension asset - TRS	14,698,317
Capital assets, net	<u>40,673,433</u>
Total non current assets	55,371,750
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources - pensions ERS	2,731,029
Deferred outflows of resources - pensions TRS	<u>3,304,292</u>
Total deferred outflows of resources	<u>6,035,321</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 77,302,662</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	666,045
Accrued interest	272,647
Due to other governments	122,724
Due to Teachers' Retirement System	3,304,292
Due to Employees' Retirement System	237,206
Current portion of long term debt	<u>4,518,443</u>
Total current liabilities	<u>9,121,357</u>
LONG-TERM LIABILITIES:	
BAN Long term	1,400,000
Bonds payable, net of current portion and premium	37,636,296
Net pension liability - ERS	2,842,994
Other post employment benefits	46,023,058
Judgments and claims	609,768
Installment debt	488,388
Compensated absences payable	<u>949,416</u>
Total long-term liabilities	<u>89,949,920</u>
DEFERRED INFLOWS OF RESOURCES:	
Gain on debt refunding	37,467
Deferred inflows of resources - pensions ERS	370,802
Deferred inflows of resources - pensions TRS	<u>5,245,206</u>
Total deferred inflows of resources	<u>5,653,475</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>104,724,752</u>
NET POSITION	
Net investment in capital assets	3,797,137
Restricted	2,581,185
Unrestricted	<u>(33,800,412)</u>
TOTAL NET POSITION	<u>(27,422,090)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 77,302,662</u>

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Expenses</u>	<u>Program Revenue</u>		Net (Expense) Revenue and Changes in <u>Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
General support	\$ (7,386,593)	\$ -	\$ -	\$ (7,386,593)
Instruction	(45,537,419)	807,166	550,273	(44,179,980)
Pupil transportation	(2,054,084)	-	-	(2,054,084)
Debt service - Interest	(1,959,680)	-	-	(1,959,680)
School lunch program	<u>(619,427)</u>	<u>512,192</u>	<u>93,332</u>	<u>(13,903)</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ (57,557,203)</u>	<u>\$ 1,319,358</u>	<u>\$ 643,605</u>	<u>(55,594,240)</u>
GENERAL REVENUE:				
Real property taxes				46,680,888
Other tax items				5,382,266
Use of money and property				368,940
Sale of property and compensation for loss				9,800
Miscellaneous				577,034
Federal and state sources				<u>3,392,261</u>
TOTAL GENERAL REVENUE				<u>56,411,189</u>
CHANGE IN NET POSITION				<u>816,949</u>
TOTAL NET POSITION - beginning of year				<u>(28,239,039)</u>
TOTAL NET POSITION - end of year				<u>\$ (27,422,090)</u>

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

**BALANCE SHEETS - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS TO GOVERNMENT WIDE NET POSITION
JUNE 30, 2016**

	<u>Governmental Fund Types</u>				Total Governmental Funds
	<u>General</u>	Special <u>Aid</u>	School <u>Lunch</u>	Capital <u>Projects</u>	
ASSETS:					
Cash - Unrestricted	\$ 8,099,336	\$ 3,012	\$ 132,465	\$ 3,814,457	\$ 12,049,270
Cash - Restricted	2,581,185	-	-	-	2,581,185
Accounts receivable	6,008	98,935	-	-	104,943
Due from other funds	306,720	-	-	-	306,720
Due from other governments	780,321	-	-	-	780,321
State and federal aid receivable	113,665	256,152	5,876	-	375,693
TOTAL ASSETS	<u>\$ 11,887,235</u>	<u>\$ 358,099</u>	<u>\$ 138,341</u>	<u>\$ 3,814,457</u>	<u>\$ 16,198,132</u>
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 2,142,242	55,558	\$ 27,165	\$ -	\$ 2,224,965
Due to other funds	-	302,541	-	-	302,541
Due to other governments	122,724	-	-	-	122,724
Due to Teachers' Retirement System	3,304,292	-	-	-	3,304,292
Due to Employees' Retirement System	237,206	-	-	-	237,206
TOTAL LIABILITIES	<u>5,806,464</u>	<u>358,099</u>	<u>27,165</u>	<u>-</u>	<u>6,191,728</u>
FUND BALANCE:					
Restricted					
Tax certiorari	1,336,831	-	-	-	1,336,831
Retirement contributions	854,354	-	-	-	854,354
Workers compensation	190,000	-	-	-	190,000
Capital	200,000	-	-	-	200,000
Total restricted fund balance	<u>2,581,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,581,185</u>
Assigned					
Other	636,386	-	111,176	3,814,457	4,562,019
Appropriated for subsequent years expenditures	530,000	-	-	-	530,000
Total assigned fund balance	<u>1,166,386</u>	<u>-</u>	<u>111,176</u>	<u>3,814,457</u>	<u>5,092,019</u>
Unassigned	2,333,200	-	-	-	2,333,200
TOTAL FUND BALANCE	<u>6,080,771</u>	<u>-</u>	<u>111,176</u>	<u>3,814,457</u>	<u>10,006,404</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,887,235</u>	<u>\$ 358,099</u>	<u>\$ 138,341</u>	<u>\$ 3,814,457</u>	<u>\$ 16,198,132</u>

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balance per above.	\$ 10,006,404
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	40,673,433
Pension plans' activity required to be recorded in the government-wide statements:	
Net pension asset	14,698,317
Deferred outflows or resources	6,035,321
Net pension liability	(2,842,994)
Deferred inflows of resources	(5,616,008)
Gain on bond refunding recorded as a payment on the fund level	(37,467)
Long-term liabilities, including bonds payable, teachers retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(44,043,391)
Other post employment benefits liability	(46,023,058)
Interest payable at June 30, 2016, in the government-wide statements under full accrual accounting.	<u>(272,647)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (27,422,090)</u>

IRVINGTON UNION FREE SCHOOL DISTRICT

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Governmental Fund Types</u>				Total Governmental Funds
	<u>General</u>	Special <u>Aid</u>	School <u>Lunch</u>	Capital <u>Projects</u>	
REVENUE:					
Real property taxes	\$ 46,680,888	\$ -	\$ -	\$ -	\$ 46,680,888
Other tax items	5,382,266	-	-	-	5,382,266
Charges for services	807,166	-	-	-	807,166
Use of money and property	366,661	-	-	2,279	368,940
Sale of property and compensation for loss	9,800	-	-	-	9,800
Miscellaneous	322,171	232,086	83	-	554,340
State sources	3,392,261	175,045	7,849	-	3,575,155
Federal sources	76	375,152	85,483	-	460,711
Sales - School lunch	-	-	512,192	-	512,192
	<u>56,961,289</u>	<u>782,283</u>	<u>605,607</u>	<u>2,279</u>	<u>58,351,458</u>
Total revenue					
EXPENDITURES:					
General support	8,302,352	-	-	-	8,302,352
Instruction	30,646,923	783,790	-	-	31,430,713
Pupil transportation	2,027,962	40,329	-	-	2,068,291
Employee benefits	12,058,648	-	-	-	12,058,648
Debt service - Principal	3,695,924	-	-	-	3,695,924
Debt service - Interest	1,369,807	-	-	-	1,369,807
Cost of sales	-	-	619,427	-	619,427
Capital outlay	-	-	-	928,665	928,665
	<u>58,101,616</u>	<u>824,119</u>	<u>619,427</u>	<u>928,665</u>	<u>60,473,827</u>
Total expenditures					
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(1,140,327)</u>	<u>(41,836)</u>	<u>(13,820)</u>	<u>(926,386)</u>	<u>(2,122,369)</u>
OTHER SOURCES AND (USES):					
Proceeds from obligations	-	-	-	4,803,694	4,803,694
Operating transfers in	-	41,836	-	42,621	84,457
Operating transfers (out)	(84,457)	-	-	-	(84,457)
	<u>(84,457)</u>	<u>41,836</u>	<u>-</u>	<u>4,846,315</u>	<u>4,803,694</u>
Total other sources (uses)					
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(1,224,784)	-	(13,820)	3,919,929	2,681,325
FUND BALANCE - beginning of year	<u>7,305,555</u>	<u>-</u>	<u>124,996</u>	<u>(105,472)</u>	<u>7,325,079</u>
FUND BALANCE - end of year	<u>\$ 6,080,771</u>	<u>\$ -</u>	<u>\$ 111,176</u>	<u>\$ 3,814,457</u>	<u>\$ 10,006,404</u>

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Net changes in fund balance - Total governmental funds	\$ 2,681,325
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	808,020
Loss on disposition of capital assets are recorded as a expenditure in the statement of activities	(261,394)
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(2,082,168)
Pension (expense) income resulting from the GASB 68 related actuary reporting is not recorded as an (expenditure) income in the government funds but is recorded in the statement of activities.	3,936,415
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.	4,810,000
Proceeds from the issuance of long-term debt are recorded as other sources in the governmental funds, but are recorded as additions to liabilities in the statement of net position.	(6,000,000)
Premiums from the issuance on bonds that are revenue sources in the governmental funds but are amortized on the statement of net position	358,714
Expenses related to long term tax certiorari claims in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	2,636,458
Loss on bond refunding is recorded as expenditures in the governmental funds, but is a deferred outflows of resources in the statement of net position	(931,818)
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	52,099
Accrued post-employment benefits do not require the expenditure of current resources and are, therefore are not reported as expenditures in the governmental funds.	<u>(5,190,702)</u>
Change in net position - Governmental activities	<u>\$ 816,949</u>

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016**

	Private Purpose <u>Trusts</u>	<u>Agency</u>
ASSETS:		
Cash	\$ -	\$ 143,152
Cash - restricted	133,061	31,985
Due from other funds	<u>-</u>	<u>-</u>
Total assets	<u>\$ 133,061</u>	<u>\$ 175,137</u>
LIABILITIES:		
Extraclassroom activity balances	-	31,985
Due to other funds	-	4,179
School store balances	-	3,021
Other liabilities	<u>-</u>	<u>135,952</u>
Total liabilities	<u>\$ -</u>	<u>\$ 175,137</u>
NET POSITION:		
Reserved for private purposes	<u>\$ 133,061</u>	

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Private Purpose <u>Trusts</u>
ADDITIONS:	
Contributions	\$ <u>9,648</u>
Total Additions	9,648
DEDUCTIONS:	
Scholarships and other private purposes	<u>11,973</u>
NET DECREASE	(2,325)
NET POSITION - beginning of year	<u>135,386</u>
NET POSITION - end of year	<u>\$ 133,061</u>

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

Irvington Union Free School District provides free K-12 public education to students living within its geographic borders.

The financial statements of Irvington Union Free School District (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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.

Certain significant accounting principles and policies utilized by the School District are described below:

Reporting Entity

The Irvington Union Free School District is governed by the Laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The BOE has authority to make decisions, power to appoint management and accountability for all fiscal matters.

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

Extraclassroom Activity Funds

The extraclassroom activity funds of the School District represent funds of the students of the School District. The board of education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School 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 at the School District's business office. The School District accounts for assets held as an agent for various student organizations in an agency fund.

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

The School District is a component school district in Southern Westchester Board of Cooperative Education Services (BOCES). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which 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.

BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school 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 school districts pay tuition or a service fee for programs in which its students participate.

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

Basis of Presentation

Government-Wide Statements

The statement of net position and the statement of activities present financial information about the School 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 revenue, and other exchange and non-exchange 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 direct expenses and program revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

The fund statements provide information about the School 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 School District reports the following major governmental funds:

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

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

- *Special Aid Fund* - This is a special revenue fund that accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- *School Lunch Fund* – This is a special revenue fund that accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- *Capital Project Fund* - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The District reports the following fiduciary funds:

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including other post employment benefits liabilities, net pension asset and liability, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The School District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the School 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 governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The School District considers all revenue reported in the governmental funds to be available if the revenue is collected within ninety 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.

Cash

The School District's cash consist of cash on hand and demand deposits. New York State law governs the School District's investment policies. Resources must be deposited in 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.

Restricted Cash

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$2,581,185 within the governmental funds.

Property Taxes

Real property taxes are levied annually by the board of education no later than September 1, and become a lien on September 1. Taxes are collected by the Town of Greenburgh during the period September 30 to January 31.

Uncollected real property taxes are subsequently enforced by the County in which the School District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the School District no later than the following April 1.

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.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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 with one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

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

Capital Assets, Net

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. Donated assets are reported at estimated fair 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 government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 5,000	SL	20-30 years
Buildings and improvements	\$ 5,000	SL	20-50 years
Furniture and equipment	\$ 5,000	SL	7-20 years

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position sometimes reports 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 one item that qualifies for reporting in this category:

- Deferred charges resulting from pension contributions made subsequent to the measurement date of the plan. The amortization is expensed against pension expense in future periods.
- Deferred charges resulting from differences between projected and actual earnings on pension plan investments of the plan. The amortization is expensed against pension expense in future periods.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position 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 and so will not be recognized as an inflow of resources (revenue) until then.

The government has the following items that qualify for reporting in this category;

- Deferred charge (gain) on a bond refunding. A deferred charge on refunding results from the difference in the carrying value of the refunding debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amortization is expensed against interest expense in future periods.
- The net amount of the District's balances of deferred inflows of resources related to pensions is reported in the government-wide Statement of Net Position as deferred inflows of resources. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Vested Employee Benefits

School District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts.

Upon resignation or death, employees may receive a payment based on unused accumulated vacation leave. Upon retirement, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with accounting principles generally accepted in the United States of America, an accrual for accumulated sick leave and vacation benefits are included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

Other Post Employment Benefits

In addition to providing the pension benefits through the New York State Employees' Retirement System and the New York State Teachers' Retirement System, the District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the District and its employee groups. Substantially all of these 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 District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level the School District recognizes the cost of providing health care insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the general fund in the year paid.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Other Post Employment Benefits (Continued)

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the District has recorded in the government-wide statement of net position the required other post-employment benefits liability of \$46,023,058 as of June 30, 2016. The financial disclosures relating to the District's other post-employment benefits are reflected in Note 8.

Encumbrances

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

All encumbrances are classified as either Restricted or Assigned Fund Balance in the General Fund, or as Restricted Fund Balance in the non-general funds.

Unearned Revenue

Unearned revenue is reported when potential revenue does meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Unearned revenue recorded in governmental funds is generally not recorded in the School District-wide statements.

Short-Term Debt

The District may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), in anticipation of the receipt of revenue. 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 (BANs), 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.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the Government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments, and compensated absences 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 as long-term liabilities in the Statement of Net Position.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the School 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.

Fund Balance/Net Position Classifications

District-Wide Statements

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

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

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

Unrestricted net position – reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Balance – Reservations and Designations

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

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted fund balance – 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 School District has available the following restricted fund balances.

Capital

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

Repair

Repair reserve (GML §6-d) is 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. This reserve is accounted for in the general fund under restricted fund balance.

Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated.

Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the 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. This reserve is accounted for in the general fund under restricted fund balance.

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. The reserve is accounted for in the general fund under restricted fund balance.

Insurance

Insurance reserve is 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. The reserve is accounted for in the general fund under restricted fund balance.

Liability Claims and Property Loss

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is 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 which 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. The reserve is accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds 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. The reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Balance – Reservations and Designations (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2016.

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$636,386. As of June 30, 2016, the School District's encumbrances were classified as follows:

Assigned fund balance:

General support	\$ 617,773
Instruction	<u>18,613</u>
Total encumbrances	<u>\$ 636,386</u>

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Non-spendable 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 Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable 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, non-spendable 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 restricted 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.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Explanation of Certain Differences Between Governmental Fund Statements and Government Wide Statements

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

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

Total fund balances of the School District's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

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

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

- **Long-Term Revenue and Expense Differences**

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue 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.

- **Capital Related Differences**

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

- **Long-Term Debt Transaction Differences**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund 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.

2. CASH

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including trust funds	<u>\$ 16,165,162</u>	<u>\$ 14,938,653</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 15,665,162	
Covered by FDIC insurance	<u>500,000</u>	
Total	<u>\$ 16,165,162</u>	

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

Restricted cash consists of the following:

General fund:

Cash on deposit for reserves	
Tax certiorari	\$ 1,336,831
Retirement contributions	854,354
Workers compensation	190,000
Capital	<u>200,000</u>

Total general fund restricted cash	<u>\$ 2,581,185</u>
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Trust and agency fund:

Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	<u>\$ 165,046</u>
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3. PARTICIPATION IN BOCES

During the year, the School District was billed \$1,750,205 for BOCES administrative and program costs.

The School District's share of BOCES aid amounted to \$396,651.

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

4. CAPITAL ASSETS, NET

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

	July 1, 2015 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2016 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 793,200	\$ -	\$ -	\$ 793,200
Construction in progress	<u>577,412</u>	<u>74,128</u>	<u>292,412</u>	<u>359,128</u>
Total non-depreciable cost	<u>\$ 1,370,612</u>	<u>\$ 74,128</u>	<u>\$ 292,412</u>	<u>\$ 1,152,328</u>
Capital assets that are depreciated:				
Land improvements	\$ 5,188,736	\$ 145,962	\$ -	\$ 5,334,698
Buildings and improvements	64,948,316	559,092	205,712	65,301,696
Furniture & Equipment	<u>1,176,036</u>	<u>60,355</u>	<u>20,428</u>	<u>1,215,963</u>
Total depreciable historical cost	<u>71,313,088</u>	<u>765,409</u>	<u>226,140</u>	<u>71,852,357</u>
Less accumulated depreciation:				
Land improvements	3,032,035	262,674	-	3,294,709
Buildings and improvements	26,748,065	1,738,119	205,712	28,280,472
Furniture & Equipment	<u>694,625</u>	<u>81,375</u>	<u>19,929</u>	<u>756,071</u>
Total accumulated depreciation	<u>30,474,725</u>	<u>2,082,168</u>	<u>225,641</u>	<u>32,331,252</u>
Total depreciable cost, net	<u>\$ 40,838,363</u>	<u>\$ (1,316,759)</u>	<u>\$ 499</u>	<u>\$ 39,521,105</u>
Total investment in capital assets	<u>\$ 42,208,975</u>	<u>\$ (1,242,631)</u>	<u>\$ 292,911</u>	<u>\$ 40,673,433</u>

Depreciation expense of \$2,082,168 for the year ended June 30, 2016, was allocated to specific functions as follows:

General support	291,504
Instruction	<u>1,790,664</u>
Total Depreciation	<u>\$ 2,082,168</u>

5. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid	\$ 1,369,807
Less: interest accrued in prior year	(255,878)
Less: premium amortization	(358,714)
Plus: amortization on loss on refunding	931,818
Plus: interest accrued in current year	<u>272,647</u>
 Total expense	 <u>\$ 1,959,680</u>

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

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Government activities:					
Bonds and notes payable:					
General obligation debt:					
Serial bonds payable	\$ 36,105,000	\$ 4,600,000	\$ 2,710,000	\$ 37,995,000	\$ 2,720,000
Premium on bonds	2,720,010	-	358,714	2,361,296	-
Long term BAN	<u>2,100,000</u>	<u>1,400,000</u>	<u>2,100,000</u>	<u>1,400,000</u>	<u>-</u>
Total Bonds and BANS	40,925,010	6,000,000	5,168,714	41,756,296	2,720,000
Other liabilities:					
Other post employment benefits	\$ 40,832,356	\$ 7,425,893	\$ 2,235,191	\$ 46,023,058	\$ -
State loan payable	2,952	-	2,952	-	-
Installment purchase debt	828,883	181,000	282,972	726,911	238,523
Judgment and claims	3,247,226	2,065,820	3,143,358	2,169,688	1,559,920
Compensated absences	<u>913,360</u>	<u>36,056</u>	<u>-</u>	<u>949,416</u>	<u>-</u>
Total other liabilities	<u>45,824,777</u>	<u>9,708,769</u>	<u>5,664,473</u>	<u>49,869,073</u>	<u>1,798,443</u>
Total long-term liabilities	<u>\$ 86,749,787</u>	<u>\$ 15,708,769</u>	<u>\$ 10,833,187</u>	<u>\$ 91,625,369</u>	<u>\$ 4,518,443</u>

The District has annually issued a BAN that has been determined to be long term debt based on the estimated time of repayment being longer than one year. These funds were obtained to aid in the payment of significant tax certioraris. In the current year, they repaid the previous year's outstanding BAN and issued another BAN for \$1,400,000.

5. LONG-TERM DEBT (Continued)

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2016 Balance</u>
Refunding Bond 2014	2014	2023	2.00%-5.00%	\$ 6,655,000
Refunding Bond 2015	2015	2032	2.75%-5.00%	23,570,000
Serial Bond 2015	2016	2030	2.00%-3.00%	4,290,000
Tax Certiorari Refunds	2008	2022	3.50% - 4.00%	2,380,000
Tax Certiorari Refunds	2008	2023	4.50% - 5.00%	<u>1,100,000</u>
Total				<u>\$ 37,995,000</u>

The following is a summary of the maturities of bonds payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,720,000	\$ 1,321,175	\$ 4,041,175
2018	2,815,000	1,236,819	4,051,819
2019	2,920,000	1,125,150	4,045,150
2020	3,035,000	1,025,556	4,060,556
2021	3,220,000	918,732	4,138,732
2022-2026	11,310,000	2,858,356	14,168,356
2027-2031	10,095,000	1,166,300	11,261,300
2032	<u>1,880,000</u>	<u>56,400</u>	<u>1,936,400</u>
Totals	<u>\$ 37,995,000</u>	<u>\$ 9,708,488</u>	<u>\$ 47,703,488</u>

6. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 306,720	\$ -	\$ -	\$ 84,457
Special aid fund	-	302,541	41,836	-
Capital fund	-	-	42,621	-
Fiduciary funds	-	4,179	-	-
Total governmental activities	<u>\$ 306,720</u>	<u>\$ 306,720</u>	<u>\$ 84,457</u>	<u>\$ 84,457</u>

6. INTERFUND BALANCES AND ACTIVITY (Continued)

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

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

All interfund payables are expected to be repaid within one year.

7. PENSION PLANS

New York State and Local Retirement System

The District participates in the New York State and Local Retirement System (ERS). ERS is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), established to hold all net assets and record changes in plan net position allocated to ERS. ERS benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an employer elects to participate in ERS, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system 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.

Contributions

ERS is noncontributory except for employees who joined ERS after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2016	\$	807,467
2015		815,841
2014		907,555

Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pensions' costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of the employee's covered pensionable salaries.

7. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

This law requires all participating employers to make payments on the current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008. The total unpaid liability at the end of the fiscal year was \$2,592,994 and is recorded in the Statement of Net Position.

- Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:
- For state fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.

For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a net pension liability of \$2,842,994 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016, the District's proportion was 0.0177130 percent, which was an increase of 2% from its proportion measured June 30, 2015.

7. **PENSION PLANS** (Continued)

New York State Employees' Retirement System (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$1,009,873. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	14,366	336,989
Changes of Assumptions	758,141	-
Net difference between projected and actual earnings on pension plan investments	1,686,620	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	34,696	33,813
Contributions subsequent to the measurement date	237,206	-
	<u>2,731,029</u>	<u>370,802</u>

\$237,206 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2017	\$ 535,630
2018	535,630
2019	535,630
2020	516,131
Thereafter	-
	<u>\$ 2,123,021</u>

Actuarial Assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8 percent indexed by service
Projected COLAs	1.3% compounded annually
Decremments	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

7. PENSION PLANS (Continued) The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The allocation and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2016 are summarized below:

New York State and Local Retirement System (Continued)

Asset Class	Target Allocation	Long-term expected real rate of term
Domestic Equity	38.0%	7.30%
International Equity	13.0%	8.55%
Private Equity	10.0%	11.00%
Real Estate	8.0%	8.25%
Absolute Return	3.0%	6.75%
Opportunistic Portfolio	3.0%	8.60%
Real Asset	3.0%	8.65%
Bonds, Cash & Mortgages	18.0%	4.00%
Cash	2.0%	2.25%
Inflation Indexed Bonds	2.0%	4.00%
	100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. PENSION PLANS (Continued)

New York State and Local Retirement System (Continued)

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, 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 percent lower (6.0%) or 1 percent higher (8.0%) than the current rate:

	<u>1 % Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 6,410,744	\$ 2,842,994	\$ (171,603)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2016, were as follows (in thousands):

	<u>Pension Plan's Fiduciary Net Position</u>	<u>District's proportionate share of Plan's Fiduciary Net Position</u>	<u>District's allocation percentage as determined by the Plan</u>
Total pension liability	\$ 172,303,544	\$ 30,520	0.0177130%
Net position	(156,253,265)	(27,677)	0.0177130%
Net pension liability (asset)	<u>\$ 16,050,279</u>	<u>\$ 2,843</u>	0.0177130%
Fiduciary net position as a percentage of total pension liability	90.7%	90.7%	

New York State Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The system provides 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 issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Contributions

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

Employees who joined after April 1, 2012, contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at an actuarially determined rate. The District contributions made to the systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2016	\$	3,726,288
2015		3,861,050
2014		2,448,947

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported an asset of \$14,698,317 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2016, the District's proportion was 0.141509 percent, which was an increase of 4 percent from its proportion measured June 30, 2015.

For the year ended June 30, 2016, the District recognized pension expense of \$(1,004,038). At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ -	\$ 407,353
Net difference between projected and actual earnings on pension plan investments	-	4,646,215
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	191,638
Contributions subsequent to the measurement date	3,304,292	-
	<u>\$ 3,304,292</u>	<u>\$ 5,245,206</u>

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

\$3,304,292 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions that will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2016	\$	(1,897,347)
2017		(1,897,347)
2018		(1,897,347)
2019		749,340
2020		(74,122)
Thereafter		<u>(228,383)</u>
	\$	<u><u>(5,245,206)</u></u>

Actuarial Assumptions

The total pension liability at the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension liability to June 30, 2015. These actuarial valuations used the following actuarial assumptions:

Inflation	3.00%
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

<u>Age</u>	<u>Female</u>	<u>Male</u>
25	10.35%	10.91%
35	6.26%	6.27%
45	5.39%	5.04%
55	4.42%	4.01%

Projected COLAs	1.625% compounded annually
Investment Rate of Return	8.0% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale AA.

The actuarial assumptions used in the June 30, 2014 were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of term
Domestic Equity	37.0%	6.50%
International Equity	18.0%	7.70%
Real Estate	10.0%	4.60%
Alternative Investments	7.0%	9.90%
Domestic fixed Income Securities	17.0%	2.10%
Global Fixed Income Securities	2.0%	1.90%
Mortgages	8.0%	3.40%
Short - term fixed income	1.0%	1.20%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability (asset) of the school districts calculated using the discount rate of 8.0 percent, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	1 % Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Proportionate Share of Net Pension Liability (Asset)	\$ 1,002,615	\$ (14,698,317)	\$ (28,087,915)

7. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers plan as June 30, 2015, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 99,332,104	\$ 140,564	0.1415090%
Net position	<u>(109,718,917)</u>	<u>(155,262)</u>	0.1415090%
Net pension liability (asset)	<u>\$ (10,386,813)</u>	<u>\$ (14,698)</u>	0.1415090%
Fiduciary net position as a percentage of total pension liability	110.5%	110.5%	

8. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The District provides certain other post-employment benefits (predominately health insurance) for retired employees of the District. The District administers the Other Post Employment Benefits Plan (the "OPEB Plan") as a single-employer defined benefit Other Post Employment Benefit Plan (OPEB).

In general, the District provides health insurance coverage for retired employees and their survivors. Substantially all the District's employees may become eligible for this benefit if they reach age 55 and retire with 10-20 years of service to the District.

The Retirement Plan can be amended by action of the District subject to applicable collective bargaining and employment agreements. The number of retired employees currently eligible to receive benefits at June 30, 2016, was approximately 157. The OPEB Plan does not issue a stand-alone financial report because there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Funding Policy

The obligations of the OPEB Plan are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0% to 65%, depending on whether its employee or spouse. The District will pay its portion of the premium for the retiree and spouse for the lifetime of the retiree. The costs of administering the OPEB Plan are paid by the District. The District currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. The amount paid during 2016 by the District was \$1,722,255.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years.

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the District's net OPEB obligation:

Annual required contribution	\$ 9,601,839
Interest on net OPEB obligation	1,570,788
Adjustment to ARC	<u>(3,746,734)</u>
Annual OPEB cost (expense)	7,425,893
Contributions made	<u>(2,235,191)</u>
Increase in net OPEB obligation	5,190,702
Net OPEB obligation - beginning of year	<u>40,832,356</u>
Net OPEB obligation - end of year	<u>\$ 46,023,058</u>
Percentage of annual OPEB cost contributed	30.1%

Trend information – The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Year Ended	OPEB Cost	Contribution (ARC)	OPEB Cost Contributed	% of ARC Contributed	OPEB Obligation
6/30/16	\$ 8,988,550	\$ 9,601,839	\$ (2,235,191)	-23%	\$ 46,023,058
6/30/15	8,918,168	9,424,428	(2,088,863)	-22%	39,269,699
6/30/14	7,639,576	8,069,533	(2,750,149)	-34%	32,440,394

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves 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 OPEB 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 OPEB Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits. In the future, the schedule will provide multi-year trend information about the value of plan assets relative to the AAL.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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.

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

In the July 1, 2015 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Medical care cost trend rate	9% in 2014, decreasing 0.5% per year to an ultimate rate of 5.0% in 2022
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

* As the plan is unfunded, the assumed discount rate considers that the District's investment assets are low risk in nature, such as money market funds or certificates of deposit.

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

10. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The District administrations prepare a proposed budget for approval by the Board of Education for the General Fund. 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. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. 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 funds 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.

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the governmental funds balance sheet.

11. CONTINGENCIES AND COMMITMENTS

General Information

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

The School District has various commitments with contractors for the completion of capital projects.

12. ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED

In June 2015, the GASB issued *Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of [Statements No. 45](#), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and [No. 57](#), *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. [Statement No. 74](#), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The District is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

In August 2015, the GASB issued *Statement No. 77 Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The District is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

The District has not assessed the impact of these statements on its future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

IRVINGTON UNION FREE SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>(Budgetary Basis)</u>	Final Budget Variance with <u>Budgetary Actual</u>
REVENUE				
LOCAL SOURCES:				
Real property taxes	\$ 50,927,598	\$ 46,720,066	\$ 46,680,888	\$ (39,178)
Other tax items	1,177,000	5,384,532	5,382,266	(2,266)
Charges for services	976,900	976,900	807,166	(169,734)
Use of money and property	360,000	360,000	366,661	6,661
Sale of property and compensation for loss	-	-	9,800	9,800
Miscellaneous	<u>505,000</u>	<u>505,000</u>	<u>322,171</u>	<u>(182,829)</u>
Total local sources	53,946,498	53,946,498	53,568,952	(377,546)
State sources	3,285,502	3,309,269	3,392,261	82,992
Medicaid reimbursement	<u>10,000</u>	<u>10,000</u>	<u>76</u>	<u>(9,924)</u>
Total revenue	<u>\$ 57,242,000</u>	<u>\$ 57,265,767</u>	<u>\$ 56,961,289</u>	<u>\$ (304,478)</u>
OTHER FINANCING SOURCES				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and other sources	<u>57,242,000</u>	<u>57,265,767</u>	<u>56,961,289</u>	<u>(304,478)</u>

(Continued)

IRVINGTON UNION FREE SCHOOL DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>(Budgetary Basis)</u>	<u>Encumbrances</u>	Final Budget Variance with <u>Budgetary Actual</u>
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	\$ 69,195	\$ 96,970	\$ 78,893	\$ 4,882	\$ 13,195
Central administration	359,459	363,350	359,715	-	3,635
Finance	597,608	619,401	589,586	92	29,723
Staff	372,818	424,726	359,144	-	65,582
Central services	4,071,073	4,700,775	3,940,615	612,799	147,361
Special items	<u>451,337</u>	<u>2,990,202</u>	<u>2,974,399</u>	<u>-</u>	<u>15,803</u>
Total general support	5,921,490	9,195,424	8,302,352	617,773	275,299
INSTRUCTION:					
Instruction, administration, and improvement	1,742,906	1,762,080	1,705,048	434	56,598
Teaching - Regular school	17,119,546	17,054,381	16,842,356	11,775	200,250
Programs for children with handicapping conditions	8,381,916	8,157,271	7,482,713	987	673,571
Occupational education	131,942	131,942	130,528	-	1,414
Instructional media	1,582,034	1,603,494	1,488,210	4,737	110,547
Pupil services	<u>2,977,291</u>	<u>3,049,494</u>	<u>2,998,068</u>	<u>680</u>	<u>50,746</u>
Total instruction	31,935,635	31,758,662	30,646,923	18,613	1,093,126
Pupil transportation	2,280,967	2,281,125	2,027,962	-	253,163
Employee benefits	12,336,196	12,361,671	12,058,648	-	303,023
Debt service - Principal	3,623,728	3,696,072	3,695,924	-	148
Debt service - Interest	<u>1,510,984</u>	<u>1,372,019</u>	<u>1,369,807</u>	<u>-</u>	<u>2,212</u>
Total expenditures	57,609,000	60,664,973	58,101,616	636,386	1,926,971
OTHER FINANCING USES					
Transfers to other funds	<u>55,000</u>	<u>92,121</u>	<u>84,457</u>	<u>-</u>	<u>7,664</u>
Total expenditures and other uses	<u>57,664,000</u>	<u>60,757,094</u>	<u>58,186,073</u>	<u>636,386</u>	<u>1,934,635</u>
NET CHANGE IN FUND BALANCES	<u>(422,000)</u>	<u>(3,491,327)</u>	<u>(1,224,784)</u>	<u>(636,386)</u>	<u>1,630,157</u>
FUND BALANCE - beginning of year			<u>7,305,555</u>		
FUND BALANCE - end of year			<u>\$ 6,080,771</u>		

IRVINGTON UNION FREE SCHOOL DISTRICT

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a percentage of Covered Payroll
July 1, 2015	\$ -	\$ 96,542,559	\$ 96,542,559	0.00%	\$ 27,689,459	348.66%
July 1, 2014	\$ -	\$ 87,964,133	\$ 87,964,133	0.00%	\$ 26,591,312	330.80%
July 1, 2012	\$ -	\$ 77,832,540	\$ 77,832,540	0.00%	\$ 24,491,420	317.80%
July 1, 2010	\$ -	\$ 66,167,808	\$ 66,167,808	0.00%	\$ 22,591,312	292.89%

See accompanying independent auditor's report

IRVINGTON UNION FREE SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2016**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0177130%	0.0173740%								
Proportionate share of the net pension liability (asset)	\$ 2,843.0	\$ 586.9								
Covered-employee payroll	\$ 4,619.1	\$ 4,526.5								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	61.55%	12.97%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.68%	97.95%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.1415090%	0.1360390%								
Proportionate share of the net pension liability (asset)	\$ (14,698.3)	\$ (15,153.9)								
Covered-employee payroll	\$ 21,257.0	\$ 20,095.1								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-69.15%	-75.41%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.46%	111.48%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

IRVINGTON UNION FREE SCHOOL DISTRICT

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2016**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 807.5	\$ 815.8								
Contributions in relation to the contractually required contribution	807.5	815.8								
Contribution deficiency (excess)	\$ -	\$ -								
Covered-employee payroll	\$ 4,619.1	\$ 4,526.5								
Contributions as a percentage of covered-employee payroll	17.48%	18.02%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 3,726.3	\$ 3,861.1								
Contributions in relation to the contractually required contribution	3,726.3	3,861.1								
Contribution deficiency (excess)	\$ -	\$ -								
Covered-employee payroll	\$ 21,257.0	\$ 20,095.1								
Contributions as a percentage of covered-employee payroll	17.53%	19.21%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

OTHER INFORMATION

IRVINGTON UNION FREE SCHOOL DISTRICT

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND USE OF UNASSIGNED FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016 (UNAUDITED)**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 57,664,000
Add: Prior year's encumbrances	<u>541,161</u>
Original budget	58,205,161
Budget revision	<u>2,551,933</u>
Final budget	<u>\$ 60,757,094</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 voter-approved expenditure budget	\$ 58,330,000	
Maximum allowed (4% of 2016-17 budget)		\$ 2,333,200
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law *:		
Total fund balance:	<u>\$ 6,080,771</u>	
Less:		
Committed fund balance	-	
Restricted fund balance	2,581,185	
Assigned fund balance:		
Appropriated fund balance	530,000	
Encumbrances included in committed and assigned fund balance	<u>636,386</u>	
Total adjustments	<u>\$ 3,747,571</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 2,333,200</u>
Actual percentage		4.00%

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

IRVINGTON UNION FREE SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2016 (UNAUDITED)

Project Title	SED Project #	Budget	Expenditures			Available Balance
			Prior Years	Current Year	Total	
Dows Lane Renovations	0002-016	\$ 440,373	\$ 19,141	\$ 421,232	\$ 440,373	\$ -
Dows Univent/HVAC Project/Gym Lighting	0002-017	726,991	13,863	2,392	16,255	710,736
Main Street Gym Roof & Lighting/Boiler Conversion & Controls	0004-005	357,602	13,738	280,059	293,797	63,805
Middle School Dust Bowl & Vestibules Project	0013-004	298,445	8,595	2,650	11,245	287,200
Meszaros Field & East Field Projects + MS/HS Boiler Controls	0007-018	<u>2,892,232</u>	<u>98,182</u>	<u>41,333</u>	<u>139,515</u>	<u>2,752,716</u>
		<u>\$ 4,715,643</u>	<u>\$ 153,519</u>	<u>\$ 747,666</u>	<u>\$ 901,185</u>	<u>\$ 3,814,457</u>

IRVINGTON UNION FREE SCHOOL DISTRICT

**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2016 (UNAUDITED)**

Capital assets, net		\$ 40,673,433
Deduct:		
Capital related bond anticipation notes	-	
Capital related premium on bonds payable	<u>2,361,296</u>	2,361,296
Short-term portion of capital related bonds payable	2,305,000	
Long-term portion of capital related bonds payable	32,210,000	
Less: Unspent bond proceeds	<u>-</u>	<u>34,515,000</u>
Net investment in capital assets		<u>\$ 3,797,137</u>

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

October 13, 2016

To the Board of Education
Irvington Union Free School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Irvington Union Free School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 13, 2016.

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

(Continued)

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 (Continued)

Purpose of this Report

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