

SCARSDALE UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis,
Financial Statements
and Supplementary Information
June 30, 2016
(With Independent Auditors' Report Thereon)

SCARSDALE UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Scarsdale 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 fiduciary funds of the Scarsdale Union Free School District (the District), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Correction of Errors

As discussed in note 15 to the financial statements, certain errors resulting in misstatements of net position as of July 1, 2015 were discovered during the current year. As a result, amounts reported for net position in the government wide financial statements have been restated to correct the errors. Our opinions are not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, and the additional information on pages 54 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
November 16, 2016

SCARSDALE UNION FREE SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

The management of the Scarsdale Union Free School District (SUFSD) provides the following narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2016.

Financial Highlights

At June 30, 2016, assets and deferred outflows of the SUFSD exceeded liabilities and deferred inflows by \$45,758,801 (net position). Total net position compared to the prior year increased by \$6,551,566 exclusive of the \$3,477,834 decrease resulting from a prior period adjustment due to capital assets and long-term debt. In the current year our net position increased because payments on long-term debt of approximately \$15.8M are recognized as expenses in the governmental fund statements but reductions of debt in the government wide statements. In accordance with the provisions of GASB Statement No. 71, \$8.9M of pension payments after the measurement date are recognized in the government wide financial statements as deferred outflows of expenses instead of as current period expenses as is the case in the governmental statements. That positive adjustment is partially offset by a decrease in our net position from the continuation of the implementation of the long-term liability for Other Postemployment Benefits (OPEB). The District recorded an increase to its long term liability for Other Postemployment Benefits (OPEB) of \$10.1M in accordance with the Governmental Accounting Standards Board (GASB) Statement 45, which reduced net position. This is the seventh year in which the OPEB charge has been recorded in the financial statements. Furthermore, as noted above, the beginning net position was adjusted as a result of a prior period adjustment, which is described more fully in note 15.

At June 30, 2016, SUFSD's general fund balance totaled \$20,739,353, an increase of \$4,494,633 compared to the prior year. This increase consisted of budgetary gains in revenue of approximately \$0.6M as well as in part by budgetary gains in expenditures of approximately \$5.0M.

Unassigned fund balance (the amount available for use at the government's discretion) for the general fund is reported at \$5,936,834 or 3.95% of the 2016-17 General Fund Budget.

Compared to the prior year, governmental fund revenues (primarily property taxes) increased by approximately \$3.9M. Governmental fund expenditures increased by approximately \$4.0M compared to prior year.

As noted on page 38, capital assets, net of accumulated depreciation, decreased by \$3,362,450. This is primarily attributable to the elimination of the \$2,526,529 prior year construction in progress as part of the prior period adjustment, current year additions, offset by the depreciation on all assets.

SCARSDALE UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Scarsdale Union Free School District's basic financial statements. SUFSD's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the District has improved or deteriorated.

The statement of activities presents information showing how the government's net position changed during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected State Aid, earned but unused vacation leave, a proportional share of net pension asset / or liabilities, and other post-employment benefits other than pensions).

Both of the government-wide financial statements distinguish functions of SUFSD that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of the costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, pupil services, administration, debt and interest payments, transportation of students and the acquisition or enhancement of assets to further student education. There are no business-type activities for SUFSD.

SCARSDALE UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SUFSD, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The governmental fund financial statements include the General Fund, the School Lunch Fund, the Special Aid Fund, the Debt Service Fund, and the Capital Projects Fund. Special Revenue Funds are projects funded totally by State and/or Federal Aid. Sales of breakfast and lunch to students and faculty primarily support the School Lunch Fund. The Capital Projects Fund accounts for costs to improve/construct capital assets. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds, which are considered major funds.

The District puts forward to the voters an annual appropriated budget for its General Fund, as required by law. A budgetary comparison statement has been provided for this fund on pages 54 - 55 to demonstrate compliance with the voter-approved budget.

The basic governmental fund financial statements can be found on pages 16 - 21 of this report.

SCARSDALE UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. For example, they hold payroll taxes to be paid; extra-classroom activities funds; monies collected to be used for athletic competitions; and endowment scholarships. Fiduciary funds are not reflected in the government-wide financial statement. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 22 - 23 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. SUFSD assets and deferred outflows exceeded liabilities and deferred inflows by \$45,758,801 at the close of the most recent fiscal year.

The largest portion of the SUFSD's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less related outstanding debt used to acquire those assets. The District uses these capital assets to house and provide services to its students. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from future budgets since the capital assets themselves cannot be used to liquidate these liabilities.

| | <u>2016</u> | <u>2015</u> | <u>Increase (decrease)</u> |
|--------------------------|-----------------------|--------------------|--------------------------------|
| Current and other assets | \$ 40,865,532 | 46,798,296 | (5,932,764) |
| Long-term assets | <u>131,934,294</u> | <u>139,420,893</u> | <u>(7,486,599)</u> |
| Total assets | \$ <u>172,799,826</u> | <u>186,219,189</u> | <u>(13,419,363)</u> |
| Deferred outflows | \$ <u>16,305,782</u> | <u>12,338,141</u> | <u>3,967,641</u> |
| Current liabilities | \$ 27,855,338 | 29,554,884 | (1,699,546) |
| Long-term liabilities | <u>99,830,812</u> | <u>97,832,137</u> | <u>1,998,675</u> |
| Total liabilities | \$ <u>127,686,150</u> | <u>127,387,021</u> | <u>299,129</u> |
| Deferred inflows | \$ <u>15,660,657</u> | <u>31,963,074</u> | <u>(16,302,417)</u> |

(Continued)

SCARSDALE UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

| | <u>2016</u> | <u>2015</u> | <u>Increase (decrease)</u> |
|--|----------------------|---------------------|--------------------------------|
| Net position: | | | |
| Net investment in capital assets | \$ 55,936,270 | 47,752,457 | 8,183,813 |
| Restricted | 12,317,682 | 8,650,836 | 3,666,846 |
| Unrestricted | <u>(22,495,151)</u> | <u>(17,196,058)</u> | <u>(5,299,093)</u> |
| Total net position | \$ <u>45,758,801</u> | <u>39,207,235</u> | <u>6,551,566</u> |
| | | <u>2016</u> | <u>2015</u> |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 2,269,716 | 2,186,538 | |
| Operating grants and contributors | | 1,359,636 | 1,301,189 |
| General revenues: | | | |
| Property taxes | | 139,268,273 | 135,761,528 |
| State Formula Aid | | 6,534,512 | 6,169,750 |
| Other | | <u>1,566,390</u> | <u>1,638,656</u> |
| Total revenues | | <u>150,998,527</u> | <u>147,057,661</u> |
| Expenses: | | | |
| General support | | 17,611,273 | 16,819,654 |
| Instruction | | 110,924,983 | 107,318,779 |
| Pupil transportation | | 4,527,936 | 4,489,878 |
| Community service | | 543,049 | 445,615 |
| Debt service | | 859,013 | 1,470,968 |
| School lunch expenditures | | 1,375,361 | 1,355,430 |
| Depreciation | | <u>5,127,512</u> | <u>5,054,889</u> |
| Total expenditures | | <u>140,969,127</u> | <u>136,955,213</u> |
| Change in net position | | <u>10,029,400</u> | <u>10,102,448</u> |
| Net position - beginning of year, before restatement | | 39,207,235 | 15,948,179 |
| Cumulative effect of change in accounting principle | | - | 13,156,608 |
| Prior period adjustment | | <u>(3,477,834)</u> | <u>-</u> |
| Net position - beginning of year, after restatement | | <u>35,729,401</u> | <u>29,104,787</u> |
| Net position - ending | \$ <u>45,758,801</u> | | <u>39,207,235</u> |

SCARSDALE UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

In the district-wide financial statements, all of the activities of the District are considered governmental activities. Governmental activities increased the District's net position by \$10,029,400 during fiscal year ending 2016. Key elements of the changes are as follows:

- The current year net position has increased by the impact of the decrease of bonds payable of \$14,215,000.
- The GASB 45 Net OBEB obligation has increased by \$10,095,346. This obligation will continue to grow until we reach the unfunded UAAL of \$159,761,903 as noted in footnote 11.
- The District has continued to record the net pension assets/liabilities in accordance with GASB 68. The current year net change added approximately \$700,000 to our net position. these results are not determined by any District action or budget decision. Subsequent year's changes could have a significant impact on the District's net position in either a position or negative way.
- Total employee benefit expenditures decreased by \$1,922,289.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the SUFSD governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financial requirements and its ability to meet them on a near-term basis. In particular, unreserved fund balance is a useful measure of a government's net resources available for spending at the end of the fiscal year.

The table below summarizes the changes in the fund balance of the District's governmental funds.

| | <u>General</u> | <u>Special Aid</u> | <u>School Food Service</u> | <u>Debt Service</u> | <u>Capital</u> | <u>Total</u> |
|--------------------------------|----------------------|------------------------|------------------------------------|-------------------------|------------------|-------------------|
| Fund balances June 30, 2014 | \$ 14,296,118 | - | 293,506 | - | 444,310 | 15,033,934 |
| Revenue | 144,097,040 | 1,301,189 | 1,354,647 | 8,264 | 360,256 | 147,121,396 |
| Expenditures | (141,144,672) | (1,301,189) | (1,355,430) | (403,375) | (4,227,845) | (148,432,511) |
| Other financing sources (uses) | <u>(1,003,766)</u> | <u>-</u> | <u>-</u> | <u>395,111</u> | <u>4,077,766</u> | <u>3,469,111</u> |
| Fund balances June 30, 2015 | 16,244,720 | - | 292,723 | - | 654,487 | 17,191,930 |
| Revenue | 148,185,504 | 1,359,636 | 1,444,401 | 5,698 | 3,288 | 150,998,527 |
| Expenditures | (142,450,653) | (1,455,414) | (1,375,361) | (9,501,698) | (3,745,167) | (158,528,293) |
| Other financing sources (uses) | <u>(1,240,218)</u> | <u>95,778</u> | <u>-</u> | <u>9,496,000</u> | <u>4,188,440</u> | <u>12,540,000</u> |
| Fund balances June 30, 2016 | \$ <u>20,739,353</u> | <u>-</u> | <u>361,763</u> | <u>-</u> | <u>1,101,048</u> | <u>22,202,164</u> |

SCARSDALE UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

At the end of the fiscal year, SUFSD's governmental funds reported combined ending fund balance of \$22,202,164, an increase of \$5,010,234 compared to prior year. This increase is primarily the result of budgetary gains related to expenditures exceeding budgetary losses related to revenue.

The General Fund is the District's chief operating fund. At June 30, 2016, General Fund unassigned fund balance was \$5,936,834 while total fund balance was \$20,739,353; these amounts increased by \$670,590 and \$4,494,633, respectively, compared to the prior year.

Most (71.4%) of the \$20,739,353 fund balance is reserved to indicate it is not available for new spending, as it is already committed: 1) to liquidate contracts and purchase orders of the prior period (\$1,384,837); 2) to pay tax certiorari settlements (\$5,109,418); 3) to pay for voter-approved debt service (\$420,429); 4) to pay for health insurance overages (\$4,705,000); 5) to pay for retirement contributions (\$2,082,835); and 6) to fund the 2016-17 budget (\$1,100,000).

GENERAL FUND ANALYSIS

A measure of the general fund's liquidity is a comparison of both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 3.95% of 2016-17 total general fund budget, while total fund balance represents 13.78% of the same amount. The comparable amounts from the prior year were 3.56% and 10.97%, respectively.

In the current fiscal year, the District's fund balance within the general fund increased by \$4,494,633. Key factors contributing to this increase were:

- The District ended the year with a \$2,163,597 surplus in the self-insured health plan.
- The District ended the year with a \$659,469 surplus in the fuel oil and natural gas budget lines.
- Revenue exceeded the current year budget by \$637,424 primarily due to a surplus in State Aid of \$529,479.
- In addition to the expenditures noted on page 19, the District ended the year with encumbrances totaling \$1,384,837, down from the prior year encumbrances totaling \$2,120,363, the decrease mostly due to budgeted and planned capital improvement projects that were completed during the year.

SCARSDALE UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

The school lunch fund has operated with a profit of 5% or less during the past five years. Lunch prices are set to produce a "break-even" result for the overall fund. As a percentage of total expenditures, the 2015-16 school lunch program activities produced a 5.0% gain, while the prior year produced a 0.1% loss. At June 30, 2016, the school lunch fund had a fund balance equal to 26.3% of the fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

| General Fund Revenues | | | | |
|---|----------------------------|----------------------------|------------------------|------------------------|
| | <u>Original Budget</u> | <u>Modified Budget</u> | <u>Actual 2016</u> | <u>Actual 2015</u> |
| Revenues: | | | | |
| Real property tax | \$ 135,114,157 | 135,114,157 | 135,123,157 | 131,741,097 |
| School tax relief - STAR | 4,145,116 | 4,145,116 | 4,145,116 | 4,020,431 |
| Non-property taxes | 973,705 | 973,705 | 941,565 | 932,047 |
| Charges for services | 867,288 | 867,288 | 825,909 | 832,344 |
| Sale of property and compensation for loss | 15,000 | 15,000 | 26,100 | 49,180 |
| Use of money and property | 225,700 | 225,700 | 330,934 | 223,886 |
| Miscellaneous | 202,081 | 202,081 | 258,211 | 128,305 |
| State sources | <u>6,005,033</u> | <u>6,005,033</u> | <u>6,534,512</u> | <u>6,169,750</u> |
| Total revenue | 147,548,080 | 147,548,080 | 148,185,504 | 144,097,040 |
| Other sources: | | | | |
| Operating transfers | - | - | 121,865 | - |
| Prior year encumbrances | - | 2,120,363 | - | - |
| Appropriated fund balance | <u>500,000</u> | <u>500,000</u> | <u>-</u> | <u>-</u> |
| Total revenues and other sources | \$ <u>148,048,080</u> | <u>150,168,443</u> | <u>148,307,369</u> | <u>144,097,040</u> |

SCARSDALE UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

| General Fund Expenditures | | | | |
|---|---------------------------|---------------------------|-----------------------|-----------------------|
| | Original <u>Budget</u> | Modified <u>Budget</u> | Actual <u>2016</u> | Actual <u>2015</u> |
| Expenditures: | | | | |
| General support | \$ 15,368,545 | 16,658,481 | 15,157,344 | 14,163,646 |
| Instruction | 80,240,047 | 80,964,096 | 79,835,229 | 77,724,357 |
| Pupil transportation | 4,057,664 | 4,077,201 | 3,615,706 | 3,721,207 |
| Community services | 366,454 | 408,815 | 408,815 | 344,857 |
| Employee benefits | 36,937,090 | 36,929,827 | 33,692,025 | 35,614,314 |
| Debt service | <u>9,767,940</u> | <u>9,767,940</u> | <u>9,741,534</u> | <u>9,576,291</u> |
| Total expenditures | 146,737,740 | 148,806,360 | 142,450,663 | 141,144,672 |
| Other uses - operating transfers out | <u>1,310,340</u> | <u>1,362,083</u> | <u>1,362,083</u> | <u>1,003,766</u> |
| Total expenditures and other uses | \$ <u>148,048,080</u> | <u>150,168,443</u> | <u>143,812,736</u> | <u>142,148,438</u> |

Major differences between the original budget and the final actual amounts are summarized on the previous pages.

CAPITAL ASSET AND DEBT ADMINISTRATION

The District continues to pay down its debt at a rate faster than the assets purchased with that debt, are depreciated. By itself, this factor would produce only a small positive addition to a net position. However, because of (GASB 45) OPEB and (GASB 68) Pension, the District will continue to have unpredictable results.

ECONOMIC FACTORS IMPACTING THE DISTRICT'S FUTURE BUDGETS

The employees of the District are covered under either the New York State Employees' Retirement System (ERS) or the New York State Teachers' Retirement System (TRS) for their pension benefits. The total pension costs for both systems are paid for by contributions from employees and from the District. The contribution rates for the 2016-17 school year for TRS and ERS are 13.26% and 18.60% of related salaries, respectively.

SCARSDALE UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Since 2005-06, the District has had relatively stable health insurance costs. The actual annual costs for 2007-08 through 2015-16 were \$9.5M, \$10.3M, \$12.3M, \$11.5M, \$12.7M, \$15.0M, \$14.2M, \$14.0M and \$14.9M, respectively. The District has been able to maintain a per enrollee cost that is less than "less commensurate" health plans in the Metropolitan area. Because the plan is self-insured and actual claims are paid as incurred, the actual costs in any one year may be more or less than budgeted. The District maintains a health insurance reserve currently funded at \$4.7M to fund future unanticipated overages. In addition, the District has invested in Stop-Loss insurance in order to limit the risk of an over-budget exposure.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Scarsdale Union Free School District's finances for all those with an interest in them. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office of the Scarsdale Union Free School District, 2 Brewster Road, Scarsdale, New York, 10583.

SCARSDALE UNION FREE SCHOOL DISTRICT

Statement of Net Position

Governmental Activities

June 30, 2016

| | |
|--|----------------------|
| Assets: | |
| Cash and cash equivalents - unrestricted | \$ 25,987,681 |
| Cash and cash equivalents - restricted | 4,867,253 |
| Investments | 7,672,873 |
| Receivables: | |
| Due from fiduciary funds | 19,385 |
| State and federal aid | 1,185,525 |
| Other receivables | 1,132,815 |
| Capital assets, net | 89,480,783 |
| Net pension asset - proportionate share - TRS System | 42,453,511 |
| Total assets | <u>172,799,826</u> |
| Deferred Outflows of Resources - Pensions | <u>16,305,782</u> |
| Liabilities: | |
| Payables: | |
| Accounts payable and accrued liabilities | 3,312,386 |
| Accrued interest | 296,035 |
| Due to fiduciary funds | 9,125 |
| Bond anticipation notes | 3,355,000 |
| Due to retirement systems | 8,861,319 |
| Other liabilities | 3,000,000 |
| Long-term liabilities: | |
| Due and payable within one year: | |
| Leases payable | 1,969,000 |
| Bonds payable | 6,615,000 |
| Unamortized bond premiums | 437,473 |
| Due and payable after one year: | |
| Leases payable | 5,511,170 |
| Bonds payable | 17,225,000 |
| Unamortized bond premiums | 1,786,870 |
| Compensated absences | 1,082,110 |
| Other postemployment benefits | 66,490,911 |
| Net pension liability - proportionate share - ERS System | 7,734,751 |
| Total liabilities | <u>127,686,150</u> |
| Deferred Inflows of Resources: | |
| Pensions | 15,535,119 |
| Unearned revenue | 125,538 |
| Total deferred inflows of resources | <u>15,660,657</u> |
| Net position: | |
| Net investment in capital assets | 55,936,270 |
| Restricted | 12,317,682 |
| Unrestricted | (22,495,151) |
| Total net position | <u>\$ 45,758,801</u> |

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT

Statement of Activities

Governmental Activities

Year Ended June 30, 2016

| | | <u>Program Revenues</u> | | Net (expense) |
|---|-----------------------|-------------------------|------------------|----------------------|
| | <u>Expenses</u> | <u>Charges for</u> | <u>Operating</u> | revenue and |
| | | <u>services</u> | <u>grants</u> | changes in |
| | | | | <u>net position</u> |
| Functions/programs: | | | | |
| General support | \$ 17,611,273 | - | - | (17,611,273) |
| Instruction | 110,924,983 | 825,909 | 1,359,636 | (108,739,438) |
| Community services | 543,049 | - | - | (543,049) |
| Pupil transportation | 4,527,936 | - | - | (4,527,936) |
| Debt service | 859,013 | - | - | (859,013) |
| School lunch program | 1,375,361 | 1,443,807 | - | 68,446 |
| Depreciation - unallocated | 5,127,512 | - | - | (5,127,512) |
| Total functions and programs | <u>\$ 140,969,127</u> | <u>2,269,716</u> | <u>1,359,636</u> | <u>(137,339,775)</u> |
| General revenue: | | | | |
| Real property taxes | | | | 139,268,273 |
| Non property taxes | | | | 941,565 |
| Use of money and property | | | | 340,514 |
| State sources | | | | 6,534,512 |
| Sale of property and compensation for loss | | | | 26,100 |
| Miscellaneous | | | | 258,211 |
| Total general revenue | | | | <u>147,369,175</u> |
| Change in net position | | | | <u>10,029,400</u> |
| Net position at beginning of year, before restatement | | | | 39,207,235 |
| Prior period adjustment | | | | <u>(3,477,834)</u> |
| Net position at beginning of year, after restatement | | | | <u>35,729,401</u> |
| Net position at end of year | | | | <u>\$ 45,758,801</u> |

See accompanying notes to financial statements.

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

| | <u>General</u> | <u>Special aid</u> | <u>School food service</u> | <u>Debt Service</u> | <u>Capital projects</u> | <u>Total governmental funds</u> |
|---|----------------------|------------------------|------------------------------------|-------------------------|-----------------------------|---|
| <u>Assets</u> | | | | | | |
| Cash and cash equivalents - unrestricted | \$ 20,035,739 | - | 520,597 | - | 5,431,345 | 25,987,681 |
| Cash and cash equivalents - restricted | 4,867,253 | - | - | - | - | 4,867,253 |
| Investments | 7,672,873 | - | - | - | - | 7,672,873 |
| Receivables: | | | | | | |
| Due from other governmental funds | 1,373,578 | - | 175,726 | - | 993,509 | 2,542,813 |
| Due from fiduciary funds | 19,385 | - | - | - | - | 19,385 |
| State and federal aid | 427,311 | 758,214 | - | - | - | 1,185,525 |
| Other receivables | 1,132,815 | - | - | - | - | 1,132,815 |
| Total assets | <u>\$ 35,528,954</u> | <u>758,214</u> | <u>696,323</u> | <u>-</u> | <u>6,424,854</u> | <u>43,408,345</u> |
| <u>Liabilities, Deferred Inflows and Fund Balance</u> | | | | | | |
| Payables: | | | | | | |
| Accounts payable | 1,768,659 | 110,185 | 209,022 | - | 249,747 | 2,337,613 |
| Accrued liabilities | 974,773 | - | - | - | - | 974,773 |
| Due to other governmental funds | 175,725 | 648,029 | - | - | 1,719,059 | 2,542,813 |
| Due to fiduciary funds | 9,125 | - | - | - | - | 9,125 |
| Due to retirement systems | 8,861,319 | - | - | - | - | 8,861,319 |
| Bond anticipation notes | - | - | - | - | 3,355,000 | 3,355,000 |
| Other liabilities | 3,000,000 | - | - | - | - | 3,000,000 |
| Total liabilities | <u>14,789,601</u> | <u>758,214</u> | <u>209,022</u> | <u>-</u> | <u>5,323,806</u> | <u>21,080,643</u> |
| Deferred inflows - unearned revenue | <u>-</u> | <u>-</u> | <u>125,538</u> | <u>-</u> | <u>-</u> | <u>125,538</u> |
| <u>Fund Balance</u> | | | | | | |
| Restricted | 12,317,682 | - | - | - | - | 12,317,682 |
| Assigned | 2,484,837 | - | 361,763 | - | 1,101,048 | 3,947,648 |
| Unassigned | 5,936,834 | - | - | - | - | 5,936,834 |
| Total fund balance | <u>20,739,353</u> | <u>-</u> | <u>361,763</u> | <u>-</u> | <u>1,101,048</u> | <u>22,202,164</u> |
| Total liabilities, deferred inflows and fund balance | <u>\$ 35,528,954</u> | <u>758,214</u> | <u>696,323</u> | <u>-</u> | <u>6,424,854</u> | <u>43,408,345</u> |

See accompanying notes to financial statements.

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

| | Total governmental funds | Long-term assets, liabilities | Reclassifications and eliminations | Statement of net position totals |
|--|--------------------------------|-------------------------------------|--|--|
| Assets: | | | | |
| Cash and cash equivalents - unrestricted | \$ 25,987,681 | - | - | 25,987,681 |
| Cash and cash equivalents - restricted | 4,867,253 | - | - | 4,867,253 |
| Investments | 7,672,873 | - | - | 7,672,873 |
| Receivables: | | | | |
| Due from other governmental funds | 2,542,813 | - | (2,542,813) | - |
| Due from fiduciary funds | 19,385 | - | - | 19,385 |
| State and federal aid | 1,185,525 | - | - | 1,185,525 |
| Other receivables | 1,132,815 | - | - | 1,132,815 |
| Capital assets, net | - | 89,480,783 | - | 89,480,783 |
| Net pension asset proportionate share | - | 42,453,511 | - | 42,453,511 |
| Total assets | <u>43,408,345</u> | <u>131,934,294</u> | <u>(2,542,813)</u> | <u>172,799,826</u> |
| Deferred outflows | - | 16,305,782 | - | 16,305,782 |
| Liabilities: | | | | |
| Payables: | | | | |
| Accounts payable | 2,337,613 | - | - | 2,337,613 |
| Accrued liabilities | 974,773 | - | - | 974,773 |
| Accrued interest payable | - | 296,035 | - | 296,035 |
| Due to other governmental funds | 2,542,813 | - | (2,542,813) | - |
| Due to fiduciary funds | 9,125 | - | - | 9,125 |
| Bond anticipation notes | 3,355,000 | - | - | 3,355,000 |
| Due to retirement systems | 8,861,319 | - | - | 8,861,319 |
| Other liabilities | 3,000,000 | - | - | 3,000,000 |
| Lease payable | - | 7,480,170 | - | 7,480,170 |
| Bond premiums | - | 2,224,343 | - | 2,224,343 |
| Bonds payable | - | 23,840,000 | - | 23,840,000 |
| Compensated absences | - | 1,082,110 | - | 1,082,110 |
| Other postemployment benefits | - | 66,490,911 | - | 66,490,911 |
| Net pension liability - proportionate share | - | 7,734,751 | - | 7,734,751 |
| Total liabilities | <u>21,080,643</u> | <u>109,148,320</u> | <u>(2,542,813)</u> | <u>127,686,150</u> |
| Deferred inflows: | | | | |
| Pensions | - | 15,535,119 | - | 15,535,119 |
| Unearned revenue | 125,538 | - | - | 125,538 |
| Total deferred inflows | <u>125,538</u> | <u>15,535,119</u> | <u>-</u> | <u>15,660,657</u> |
| Total fund balance net position | <u>22,202,164</u> | <u>23,556,637</u> | <u>-</u> | <u>45,758,801</u> |
| Total liabilities and fund balance/ deferred inflows/net position | <u>\$ 43,408,345</u> | <u>148,240,076</u> | <u>(2,542,813)</u> | <u>189,105,608</u> |

See accompanying notes to financial statements.

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

Total fund balances - governmental funds \$ 22,202,164

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

The assets consist of:

| | |
|-----------------------------------|---------------------|
| Land | \$ 764,800 |
| Construction in progress | 1,533,169 |
| Buildings and improvements | 151,376,527 |
| Land improvements | 3,704,788 |
| Machinery, equipment and vehicles | 19,473,951 |
| Accumulated depreciation | <u>(87,372,452)</u> |

Total capital assets 89,480,783

Assets held by escrow

Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Those liabilities consist of:

| | |
|-------------------------------|--------------|
| Compensated absences | (1,082,110) |
| Other postemployment benefits | (66,490,911) |
| Accrued interest | (296,035) |

Long-term liabilities, including bonds payable and premium on bonds are not due and payable in the current period and therefore are not reported in the governmental funds.

| | |
|---------------------------|--------------|
| Bonds payable | (23,840,000) |
| Unamortized bond premiums | (2,224,343) |
| Capital leases | (7,480,170) |

Some deferred costs are not reported in the funds. These consist of the following:

| | |
|-------------------|--------------|
| Deferred outflows | 16,305,782 |
| Deferred inflows | (15,535,119) |

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

| | |
|-----------------------------|--------------------|
| Teachers' Retirement System | 42,453,511 |
| Employee' Retirement System | <u>(7,734,751)</u> |

Total net position - end of year \$ 45,758,801

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2016

| | General | Special aid | School food service | Debt Service | Capital projects | Total governmental funds |
|--|----------------------|------------------|---------------------------|--------------------|---------------------|--------------------------------|
| Revenue: | | | | | | |
| Real property taxes | \$ 139,268,273 | - | - | - | - | 139,268,273 |
| Non property taxes | 941,565 | - | - | - | - | 941,565 |
| Charges for services | 825,909 | - | - | - | - | 825,909 |
| Use of money and property | 330,934 | - | 594 | 5,698 | 3,288 | 340,514 |
| Sale of property and compensation for loss | 26,100 | - | - | - | - | 26,100 |
| State sources | 6,534,512 | 429,871 | - | - | - | 6,964,383 |
| Federal sources | - | 929,765 | - | - | - | 929,765 |
| School lunch sales | - | - | 1,443,807 | - | - | 1,443,807 |
| Miscellaneous | 258,211 | - | - | - | - | 258,211 |
| Total revenue | 148,185,504 | 1,359,636 | 1,444,401 | 5,698 | 3,288 | 150,998,527 |
| Expenditures: | | | | | | |
| General support | 15,157,344 | - | - | - | - | 15,157,344 |
| Instruction | 79,835,229 | 1,455,414 | - | - | - | 81,290,643 |
| Community services | 408,815 | - | - | - | - | 408,815 |
| Pupil transportation | 3,615,706 | - | - | - | - | 3,615,706 |
| Employee benefits | 33,692,025 | - | - | - | - | 33,692,025 |
| Debt service | 9,741,534 | - | - | 9,501,698 | - | 19,243,232 |
| Cost of sales | - | - | 1,375,361 | - | - | 1,375,361 |
| Capital outlay | - | - | - | - | 3,745,167 | 3,745,167 |
| Total expenditures | 142,450,653 | 1,455,414 | 1,375,361 | 9,501,698 | 3,745,167 | 158,528,293 |
| Excess (deficiency) of revenue over expenditures | 5,734,851 | (95,778) | 69,040 | (9,496,000) | (3,741,879) | (7,529,766) |
| Other financing sources and (uses): | | | | | | |
| Proceeds from leases | - | - | - | - | 1,399,000 | 1,399,000 |
| Proceeds from issuance of debt | - | - | - | - | 1,645,000 | 1,645,000 |
| Recognition of prior debt proceeds | - | - | - | 9,496,000 | - | 9,496,000 |
| Operating transfers in | 121,865 | 95,778 | - | - | 1,266,305 | 1,483,948 |
| Operating transfers (out) | (1,362,083) | - | - | - | (121,865) | (1,483,948) |
| Total other financing sources and (uses) | (1,240,218) | 95,778 | - | 9,496,000 | 4,188,440 | 12,540,000 |
| Excess (deficiency) of revenue and other sources over expenditures and other uses | 4,494,633 | - | 69,040 | - | 446,561 | 5,010,234 |
| Fund balance at beginning of year | 16,244,720 | - | 292,723 | - | 654,487 | 17,191,930 |
| Fund balance at end of year | \$ 20,739,353 | - | 361,763 | - | 1,101,048 | 22,202,164 |

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT
Reconciliation of Governmental Funds - Statement of Revenues,
Expenditures and Changes in Fund Balance to the Statement of Activities
Year Ended June 30, 2016

| | Total governmental <u>funds</u> | Long-term assets, <u>liabilities</u> | Reclassifications and <u>eliminations</u> | Statement of activities <u>total</u> |
|---|---------------------------------------|--|---|--|
| Revenue: | | | | |
| Real property taxes | \$ 139,268,273 | - | - | 139,268,273 |
| Non property taxes | 941,565 | - | - | 941,565 |
| Charges for services | 825,909 | - | - | 825,909 |
| Use of money and property | 340,514 | - | - | 340,514 |
| Sale of property and compensation for loss | 26,100 | - | - | 26,100 |
| State sources | 6,964,383 | - | - | 6,964,383 |
| Federal sources | 929,765 | - | - | 929,765 |
| School lunch sales | 1,443,807 | - | - | 1,443,807 |
| Miscellaneous | 258,211 | - | - | 258,211 |
| Total revenue | <u>150,998,527</u> | <u>-</u> | <u>-</u> | <u>150,998,527</u> |
| Expenditures: | | | | |
| General support | 15,157,344 | (544,661) | 2,998,590 | 17,611,273 |
| Instruction | 81,290,643 | (14,642) | 29,648,982 | 110,924,983 |
| Community services | 408,815 | (534) | 134,768 | 543,049 |
| Pupil transportation | 3,615,706 | 2,545 | 909,685 | 4,527,936 |
| Employee benefits | 33,692,025 | - | (33,692,025) | - |
| Debt service | 19,243,232 | (18,384,219) | - | 859,013 |
| Cost of sales | 1,375,361 | - | - | 1,375,361 |
| Capital outlay | 3,745,167 | (3,745,167) | - | - |
| Depreciation | - | 5,127,512 | - | 5,127,512 |
| Total expenditures | <u>158,528,293</u> | <u>(17,559,166)</u> | <u>-</u> | <u>140,969,127</u> |
| Excess (deficiency) of revenue over expenditures | <u>(7,529,766)</u> | <u>17,559,166</u> | <u>-</u> | <u>10,029,400</u> |
| Other financing sources and uses: | | | | |
| Proceeds from leases | 1,399,000 | (1,399,000) | - | - |
| Proceeds from issuance of debt | 1,645,000 | (1,645,000) | - | - |
| Recognition of prior debt proceeds | 9,496,000 | (9,496,000) | - | - |
| Operating transfers in | 1,483,948 | - | (1,483,948) | - |
| Operating transfers (out) | <u>(1,483,948)</u> | <u>-</u> | <u>1,483,948</u> | <u>-</u> |
| Total other financing sources (uses) | <u>12,540,000</u> | <u>(12,540,000)</u> | <u>-</u> | <u>-</u> |
| Net change for the year | <u>\$ 5,010,234</u> | <u>5,019,166</u> | <u>-</u> | <u>10,029,400</u> |

See accompanying notes to financial statements.

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

| | | | |
|---|--|--------------------|----------------------|
| Net change in fund balances - total governmental funds | | | \$ 5,010,234 |
| Amounts reported for governmental activities in the statement of activities are different because: | | | |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. | | | |
| Additions of assets | | \$ 4,294,933 | |
| Depreciation | | (5,127,512) | |
| Disposition of capital assets | | <u>(3,342)</u> | (835,921) |
| Repayment of bond is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. | | | |
| Principal paid on bonds | | | 15,800,000 |
| Payment of lease is an expenditure in the government funds but the repayment reduces long-term liabilities in the statement of net position. | | | |
| | | | 1,965,911 |
| Bond proceeds and premium on bonds and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. | | | |
| Amortized bond premium | | 406,890 | |
| Recognition of prior debt proceeds | | (9,495,991) | |
| Debt proceeds | | (1,645,000) | |
| Capital lease proceeds | | <u>(1,399,000)</u> | (12,133,101) |
| Compensated absences represent the value of the earned and unused portion of the liability for the vacation and compensatory time. They are reported in the statement of activities but do not require the use of the current financial resources and therefore are not reported as expenditures in the governmental funds. This is the net change of compensated absences. | | | |
| | | | (93,034) |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditure is reported when due. | | | |
| | | | 211,418 |
| Other postemployment benefits represent the value of the unfunded portion of the cost of benefits for current employees upon retirement. They are reported in the statement of activities but do not require the use of the current financial resources and therefore are not reported as expenditures in the governmental funds. | | | |
| | | | (10,095,346) |
| Deferred outflows reported in the statement of activities require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | | |
| | | | 3,967,641 |
| Deferred inflows reported in the statement of activities require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | | |
| | | | 16,427,955 |
| (Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. | | | |
| Teachers' Retirement System | | | (4,124,149) |
| Employees' Retirement System | | | <u>(6,072,208)</u> |
| Change in net position of governmental activities | | | <u>\$ 10,029,400</u> |

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

| | Private Purpose <u>Trust Funds</u> | Agency <u>Funds</u> | Total Fiduciary <u>Funds</u> |
|--|--|------------------------|------------------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 60,035 | 932,585 | 992,620 |
| Due from general fund | <u>9,125</u> | <u>-</u> | <u>9,125</u> |
| Total assets | <u>69,160</u> | <u>932,585</u> | <u>1,001,745</u> |
| Liabilities: | | | |
| Accounts payable and agency liabilities | 98 | 668,710 | 668,808 |
| Due to general fund | 17,152 | 2,233 | 19,385 |
| Extraclassroom activity balance | <u>-</u> | <u>261,642</u> | <u>261,642</u> |
| Total liabilities | <u>17,250</u> | <u>932,585</u> | <u>949,835</u> |
| Net position - reserved for scholarships and family support | <u>\$ 51,910</u> | <u>-</u> | <u>51,910</u> |

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

| | <u>Private Purpose Trust Funds</u> |
|--|--|
| Additions: | |
| Gifts and donations | \$ <u>119</u> |
| Total additions | 119 |
| Deductions - scholarships and program grant awards | <u>34,240</u> |
| Change in net position | (34,121) |
| Net position at beginning of year | <u>86,031</u> |
| Net position at end of year | <u><u>\$ 51,910</u></u> |

See accompanying notes to financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

(1) Summary of Accounting Policies

The financial statements of Scarsdale Union Free School District (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

(a) Reporting Entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14 - "The Financial Reporting Entity," as amended by GASB Statement 39 - "Component Units." The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

(i) Extraclassroom Activity Funds

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

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(b) Joint Venture

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

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

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$2,414,629 for BOCES administrative and program costs and recognized \$268,178 in revenue as the District's share of BOCES aid.

Participating school districts issue debt on behalf of BOCES. As of year-end, there was no debt issued by the District on behalf of BOCES.

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

(c) The Scarsdale Schools Education Foundation

The Scarsdale Schools Education Foundation (the Foundation) is a not-for-profit 501(c)(3) organization formed to increase the financial resources available to support programs in the District. It was organized by local residents and is operated by a nine member board of directors, two of whom are appointed by the Board of Education. During the year ended June 30, 2016 the Foundation did not make a contribution to the District. For more information about the Foundation see www.scarsdaleschoolseducationfoundation.org.

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(d) Basis of Presentation

(i) District-Wide Statements

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

(ii) Funds Statements

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

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition and school store operations or 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. The District reports the special aid fund and the school food service fund as major special revenue funds.

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

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest related to the refunding of existing debt obligations.

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(d) Basis of Presentation, Continued

(ii) Funds Statements, Continued

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

Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefit 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 withholdings.

(e) Measurement Focus and Basis of Accounting

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

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year. Sales tax related to the current fiscal year, received after the revenue recognition period are not considered available and have been excluded from the financial statements.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt 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.

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(f) Property Taxes

Real property taxes are levied annually by the Board of Education. Uncollected real property taxes are subsequently enforced by the Towns of Scarsdale and Mamaroneck. The Towns pay an amount representing uncollected real property taxes transmitted to the Towns for enforcement to the District no later than the following April 1.

(g) Restricted Resources

When an expense is incurred for purposes for which both restricted and unassigned fund balance are available, the District's policy concerning which to apply first varies with the intended use and with associated legal requirements, many of which are described elsewhere in these notes.

(h) Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

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

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

Refer to note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenue activity.

(i) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(j) Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

(k) Accounts Receivable

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

(l) Prepaid Items

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

(m) Capital Assets

Capital assets are reported in the District-wide financials at actual costs or estimated historical cost. Donated assets are reported at estimated fair market value at the time received. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as construction in progress until the projects are completed.

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

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(m) Capital Assets, Continued

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|----------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Buildings | \$ 5,000 | Straight Line | 50 |
| Land improvements | 5,000 | Straight-line | 20 |
| Buildings and improvements | 5,000 | Straight-line | 20 |
| Vehicles | 5,000 | Straight-line | 8 |
| Computer equipment | 5,000 | Straight-line | 5 |
| Equipment | 5,000 | Straight-line | 5-15 |

(n) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First arises under a modified accrual basis of accounting and is reported as unavailable revenue. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension system not included in pension expense.

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(o) Vested Employee Benefits

Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and earned but unused vacation.

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

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.

Consistent with GASB Statement No. 16 - "Accounting for Compensated Absences," the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

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

(p) Other Benefits

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through the District's self-insurance plan. The District pays 100% of the cost for retiree's health care insurance, excluding co-pays which are the sole responsibility of the retirees. Survivor beneficiaries reimburse the District monthly for 100% of the calculated premiums. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

(q) Short-Term Debt

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

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(q) Short-Term Debt, Continued

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

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

(r) Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Other postemployment benefits payable and compensated absences that will be paid from governmental funds are reported as a liability in the funds 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 within one year or due after one year in the statement of net position.

(s) Equity Classifications

District-Wide Statements

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

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements to 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, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

Funds Statements

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.

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(s) Equity Classifications, Continued

Funds Statements, Continued

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the general fund and school food service fund are classified as restricted fund balance. The District has established the following restricted fund balances:

Debt Service

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that 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.

Employee Benefits and Accrued Liabilities

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefits 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.

Retirement Contributions

According to General Municipal Law §6-r, must be used for New York State Employees' Retirement System (NYSERS) financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Tax Certiorari

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

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 and school food service fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Accounting Policies, Continued

(s) Equity Classifications, Continued

Funds Statements, Continued

Restricted fund balance includes the following:

General fund:

| | |
|--------------------------|------------------|
| Debt service | \$ 420,429 |
| Liability insurance | 4,705,000 |
| Retirement contributions | 2,082,835 |
| Tax certiorari | <u>5,109,418</u> |

Total general fund 12,317,682

Capital projects fund 1,814,234

Total restricted funds \$ 14,131,916

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

Assigned - Includes amounts that are constrained by the 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. Encumbrances reported in the general fund amounted to \$1,384,837. Additionally, the District assigned \$1,100,000 of fund balance to reduce the tax levy for the ensuing fiscal year budget.

Unassigned - Includes all other general fund equity that does not meet the definition of the above four classifications and is deemed to be available for general use by the District. Also, the deficit in capital projects fund is considered unassigned under accounting principles generally accepted in the United States of America.

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

Order of Use of Fund Balance:

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund and school food service 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.

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(2) Stewardship, Compliance and Accountability

(a) Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, for which a legal (appropriated) budget is adopted.

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances 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 ended June 30, 2016.

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

(b) Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as assignments 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.

The District's unreserved unassigned fund balance was within the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(3) Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks

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 were fully collateralized as of June 30, 2016.

Restricted cash represents cash and cash equivalents whose 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 \$4,867,253 within the general fund.

(4) Investments

Investments are stated at fair value, and are categorized as either:

- (a) Insured or registered, or investments held by the District or by the District's agent in the District's name, or
- (b) Uninsured and unregistered, with the investments held by the financial institution's trust department in the District's name, or
- (c) Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the District's name.

| <u>Fund</u> | <u>Carrying Amount</u> | <u>Fair Value</u> | <u>Unrealized Investment Gain/Loss</u> | <u>Type of Investment</u> | <u>Category</u> |
|--------------|----------------------------|-----------------------|--|-------------------------------|-----------------|
| General fund | \$ 7,672,873 | 7,672,873 | - | U.S. Treasury | A |

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The District does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

Investment Pool:

The District participates in multi-municipal cooperative investment pool agreements pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and considered to be cash equivalents.

The following amounts are included as unrestricted and restricted cash:

| <u>Fund</u> | <u>Amount</u> |
|-------------|---------------|
| General | \$ 29,855 |

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(4) Investments, Continued

The above amounts represent the cost of the investment pool shares and are considered to approximate market value. The investment pools are categorically exempt from the New York State collateralization requirements.

(5) Receivables

Major receivables accrued by the District at June 30, 2016 consisted of the following:

(a) Due from State, Federal and Other Governments - Represents amounts due from other units of government, such as New York State and other local governments. Amounts due to the District at June 30, 2016 are listed below:

| | |
|-------------------|-------------------|
| General fund: | |
| State aid | \$ <u>427,311</u> |
| Special aid fund: | |
| Federal aid | \$ <u>758,214</u> |

(b) Other Receivables - Represents amounts due for out-of-district tuition billings (in the general fund) and other minor charges.

(6) Capital Assets

Capital asset balances and activity were as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements/ Reclassifications</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|---|---------------------------|
| Governmental activities: | | | | |
| Capital assets that are not being depreciated: | | | | |
| Land | \$ 764,800 | - | - | 764,800 |
| Construction in progress | <u>2,526,529</u> | <u>1,533,169</u> | <u>(2,526,529)</u> | <u>1,533,169</u> |
| Total nondepreciable historical cost | <u>3,291,329</u> | <u>1,533,169</u> | <u>(2,526,529)</u> | <u>2,297,969</u> |
| Capital assets that are being depreciated: | | | | |
| Buildings | 150,816,256 | 560,271 | - | 151,376,527 |
| Land improvements | 3,704,788 | - | - | 3,704,788 |
| Furniture and equipment | <u>19,915,156</u> | <u>2,201,493</u> | <u>(2,642,698)</u> | <u>19,473,951</u> |
| Total depreciable historical cost | <u>174,436,200</u> | <u>2,761,764</u> | <u>(2,642,698)</u> | <u>174,555,266</u> |

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(6) Capital Assets, Continued

| | Beginning Balance | Additions | Retirements/ Reclassifications | Ending Balance |
|--|----------------------|--------------------|-----------------------------------|-------------------|
| Less accumulated depreciation: | | | | |
| Buildings | \$ 69,016,902 | 3,530,958 | - | 72,547,860 |
| Land improvements | 1,790,786 | 120,886 | - | 1,911,672 |
| Furniture and equipment | <u>14,076,608</u> | <u>1,475,668</u> | <u>(2,639,356)</u> | <u>12,912,920</u> |
| Total accumulated depreciation | <u>84,884,296</u> | <u>5,127,512</u> | <u>(2,639,356)</u> | <u>87,372,452</u> |
| Total historical cost, net | <u>89,551,904</u> | <u>(2,365,748)</u> | <u>(3,342)</u> | <u>87,182,814</u> |
| Governmental activities - capital assets, net | \$ <u>92,843,233</u> | <u>(832,579)</u> | <u>(2,529,871)</u> | <u>89,480,783</u> |

The current year depreciation expense of \$5,127,512 was unallocated.

Re-evaluation of capital assets accounts realized that the \$2,526,529 in beginning Construction in Progress was improperly included. This amount has been removed as part of the prior period adjustment at footnote 15.

(7) Short-Term Debt

There was no short-term debt activity for the year ended June 30, 2016.

(8) Long-Term Debt Obligations

Transactions in long-term debt for the year are summarized below:

| | Beginning Balance | Additions | Deletions | Ending Balance | Amounts Due Within One Year |
|-------------------------------------|-----------------------|--------------------|-------------------|--------------------|-----------------------------------|
| Government activities: | | | | | |
| Bonds payable | \$ 37,995,000 | 1,645,000 | 15,800,000 | 23,840,000 | 6,615,000 |
| Premium on bond issues | <u>2,631,233</u> | <u>-</u> | <u>406,890</u> | <u>2,224,343</u> | <u>437,473</u> |
| Total government activities | <u>40,626,233</u> | <u>1,645,000</u> | <u>16,206,890</u> | <u>26,064,343</u> | <u>7,052,473</u> |
| Other liabilities: | | | | | |
| Capital leases | 8,047,081 | 1,399,000 | 1,965,911 | 7,480,170 | 1,969,000 |
| Other postemployment benefits | 56,395,565 | 14,611,598 | 4,516,252 | 66,490,911 | - |
| Compensated absences (net activity) | <u>989,076</u> | <u>93,034</u> | <u>-</u> | <u>1,082,110</u> | <u>-</u> |
| Total other liabilities | <u>65,431,722</u> | <u>16,103,632</u> | <u>6,482,163</u> | <u>75,053,191</u> | <u>1,969,000</u> |
| Total | \$ <u>106,057,955</u> | <u>177,748,632</u> | <u>22,689,053</u> | <u>101,117,534</u> | <u>9,021,473</u> |

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and other postemployment benefits when they become due.

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(8) Long-Term Debt Obligations, Continued

Re-evaluation of long-term debt obligations resulted in management finding that bonds payable were overstated by \$60,000. Also discovered was an excluded capital lease in the amount of \$1,011,305. These amounts have been included as part of the prior period adjustment at footnote 15.

General Obligation Bonds - The District issues general obligation bonds to provide funds for construction, renovations and improvements of major capital facilities. The following is a summary of transactions for the year ended June 30, 2016:

| <u>Year of issue/ maturity</u> | <u>Interest rate</u> | <u>Beginning balance</u> | <u>Additions</u> | <u>Refundings/ Reductions</u> | <u>Ending balance</u> |
|------------------------------------|--------------------------|------------------------------|------------------|-----------------------------------|---------------------------|
| 2007/2026 | 4.33% | \$ 9,995,000 | - | 9,935,000 | 60,000 |
| 2010/2019 | 1.79% | 10,390,000 | - | 2,445,000 | 7,945,000 |
| 2012/2019 | 1.10% | 7,490,000 | - | 1,740,000 | 5,750,000 |
| 2016/2017 | 2.00% | - | 1,645,000 | - | 1,645,000 |
| 2014/2026 | 1.95% | 8,445,000 | - | 5,000 | 8,440,000 |
| 2015/2016 | 0.52% | <u>1,675,000</u> | <u>-</u> | <u>1,675,000</u> | <u>-</u> |
| | | \$ <u>37,995,000</u> | <u>1,645,000</u> | <u>15,800,000</u> | <u>23,840,000</u> |

The following is a maturity schedule of bonded debt:

| <u>Fiscal year ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|----------------------|------------------|-------------------|
| 2017 | \$ 6,615,000 | 1,346,169 | 7,961,169 |
| 2018 | 5,205,000 | 1,102,587 | 6,307,587 |
| 2019 | 5,420,000 | 844,300 | 6,264,300 |
| 2020 | 690,000 | 595,131 | 1,285,131 |
| 2021 | 725,000 | 532,965 | 1,257,965 |
| 2022 - 2026 | 4,205,000 | 1,546,710 | 5,751,710 |
| 2027 - 2028 | <u>980,000</u> | <u>47,688</u> | <u>1,027,688</u> |
| | \$ <u>23,840,000</u> | <u>6,015,550</u> | <u>29,855,550</u> |

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(9) Pension Obligations

(a) Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provision of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, 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/inex.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(9) Pension Obligations, Continued

(a) Plan Descriptions and Benefits Provided, Continued

The Systems are noncontributory except for employees who joined 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 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annual certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems; fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

| | <u>ERS</u> | <u>TRS</u> | <u>Total</u> |
|------|--------------|------------|--------------|
| 2016 | \$ 2,112,940 | 8,210,890 | 10,323,830 |
| 2015 | 2,758,643 | 11,161,263 | 13,919,906 |
| 2014 | 3,000,818 | 10,387,337 | 13,388,155 |

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

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

| | <u>ERS</u> | <u>TRS</u> |
|---|----------------|------------|
| Actuarial valuation date | 3/31/2016 | 6/30/2015 |
| Net pension asset/(liability) | \$ (7,734,751) | 42,453,511 |
| District's proportion of the Plan's net pension asset/(liability) | 0.0481908% | 0.408725% |

For the year ended June 30, 2016, the District's recognized pension expense of \$2,791,281 for ERS and (\$2,666,690) for TRS. At June 30, 2016 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(9) Pension Obligations, Continued

(b) Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|---|---|------------------|--|-------------------|
| | <u>ERS</u> | <u>TRS</u> | <u>ERS</u> | <u>TRS</u> |
| Differences between expected and actual experience | \$ 39,086 | - | 916,826 | 1,176,568 |
| Changes in assumptions | 2,062,625 | - | - | - |
| Net difference between projected and actual earnings on pension plan investments | 4,588,678 | - | - | 13,419,776 |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 395,470 | 358,604 | 21,949 | - |
| District's contributions subsequent to the measurement date | <u>546,860</u> | <u>8,314,459</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 7,632,719</u> | <u>8,673,063</u> | <u>938,775</u> | <u>14,596,344</u> |

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

| <u>Fiscal year ended</u> | <u>ERS</u> | <u>TRS</u> |
|--------------------------|--------------|-------------|
| 2017 | \$ 1,575,236 | (5,370,005) |
| 2018 | 1,575,236 | (5,370,005) |
| 2019 | 1,575,236 | (5,370,005) |
| 2020 | 1,421,376 | 2,274,484 |
| 2021 | - | (103,939) |
| Thereafter | - | (298,270) |

(c) Actuarial Assumptions

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

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(9) Pension Obligations, Continued

(c) Actuarial Assumptions, Continued

Significant actuarial assumptions used in the valuations were as follows:

| | <u>ERS</u> | <u>TRS</u> |
|--------------------------|--|--|
| Measurement date | March 31, 2016 | June 30, 2015 |
| Actuarial valuation date | April 1, 2015 | June 30, 2014 |
| Interest rate | 7.5% | 8.0% |
| Salary scale | 3.8% Average | 4.01% - 10.91% |
| Decrement tables | April 1, 2010 - March 31, 2015 System's Experience | July 1, 2005 - June 30, 2010 System's Experience |
| Inflation rate | 2.5% | 3.0% |

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

For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005- June 30, 2010.

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

| | <u>ERS</u> | <u>TRS</u> |
|----------------------------------|----------------|---------------|
| Measurement date | March 31, 2016 | June 30, 2015 |
| Asset type: | | |
| Domestic equity | 7.30% | 6.50% |
| International equity | 8.55% | 7.70% |
| Real estate | 8.25% | 4.60% |
| Alternative investments | - | 9.90% |
| Domestic fixed income securities | - | 2.10% |
| Global fixed income securities | - | 1.90% |

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(9) Pension Obligations, Continued

(c) Actuarial Assumptions, Continued

| | <u>ERS</u> | <u>TRS</u> |
|----------------------------|------------|------------|
| Asset type, continued: | | |
| Mortgages | - | 3.40% |
| Short-term | - | 1.20% |
| Private equity | 11.00% | - |
| Absolute return strategies | 6.75% | - |
| Opportunities portfolio | 8.60% | - |
| Real assets | 8.65% | - |
| Bonds and mortgages | 4.00% | - |
| Cash | 2.25% | - |
| Inflation - indexed bonds | 4.00% | - |

(d) Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

| | | | |
|--|--------------------------|---------------------------------|--------------------------|
| ERS | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
| Employer's proportionate share of the net pension asset (liability) | \$ <u>(17,441,301)</u> | <u>(7,734,751)</u> | <u>466,870</u> |
| TRS | 1% Decrease (7.0%) | Current Assumption (8.0%) | 1% Increase (9.0%) |
| Employer's proportionate share of the net pension asset (liability) | \$ <u>(2,895,877)</u> | <u>42,453,511</u> | <u>81,127,017</u> |

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(9) Pension Obligations, Continued

(f) Pension Plan Fiduciary Net Position

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

| | (Dollars in Millions) | |
|--|-----------------------|----------------|
| | <u>ERS</u> | <u>TRS</u> |
| Valuation date | 3/31/2016 | 6/30/2015 |
| Employers' total pension liability | \$ (172,303) | (99,332) |
| Plan net position | <u>156,253</u> | <u>109,719</u> |
| Employers' net pension asset/(liability) | \$ <u>(16,050)</u> | <u>10,387</u> |
| Ration of plan net position to the Employers' total pension asset/(liability) | 90.70% | 110.46% |

(g) Payables to the Pension Plans

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$546,860. This amount has been recorded as an expenditure in the governmental fund statements and a deferred cost in the government-wide financial statements.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$8,314,459. This amount has been recorded as an expenditure in the governmental fund statements and a deferred cost in the government-wide financial statements.

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(10) Interfund Transactions

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. Interfund receivables, payables and transfers of the District as of and for the year ended June 30, 2016 consisted of the following:

| <u>Governmental Funds</u> | <u>Interfund</u> | | <u>Interfund</u> | |
|-----------------------------|---------------------|------------------|------------------|---------------------|
| | <u>Receivable</u> | <u>Payable</u> | <u>Revenues</u> | <u>Expenditures</u> |
| Governmental funds: | | | | |
| General fund | \$ 1,373,578 | 175,725 | 121,865 | 1,362,083 |
| School food service fund | 175,726 | - | - | - |
| Special aid fund | - | 648,029 | 95,778 | - |
| Capital projects fund | <u>993,509</u> | <u>1,719,059</u> | <u>1,266,305</u> | <u>121,865</u> |
| Total governmental funds | \$ <u>2,542,813</u> | <u>2,542,813</u> | <u>1,483,948</u> | <u>1,483,948</u> |
| Fiduciary funds: | | | | |
| General fund | \$ 19,385 | 9,125 | | |
| Private purpose trust funds | 9,125 | 17,152 | | |
| Agency funds | <u>-</u> | <u>2,233</u> | | |
| Total fiduciary funds | \$ <u>28,510</u> | <u>28,510</u> | | |

(11) Other Postemployment Benefits (OPEB)

The District pays for a portion of eligible retirees' health insurance, depending on eligibility.

Eligibility for postretirement benefits is based on age of retiree and years of service and depends upon the associated group or union as follows: (1) Teamsters Local #264, (2) Administrators and Supervisors Association, (3) Teachers' Association, and (4) Business Administrator and Assistant Superintendent for Instruction.

The District implemented GASB Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," in the year ended June 30, 2009. This required the District to calculate and record an other postemployment benefit obligation at year-end. The other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various contracts, which were ratified by the District's Board of Education. Upon retirement, the District generally pays between 80-100% of the cost of the medical plan currently in effect.

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(11) Other Postemployment Benefits (OPEB), Continued

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2016, the District recognized approximately \$4.52 million for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2014 which indicates that the total liability for other postemployment benefits at June 30, 2016 is \$66,490,911 which is reflected in the statement of net position.

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

Annual OPEB cost and net OPEB obligation:

| | |
|--|----------------------|
| Annual required contribution | \$ 10,184,493 |
| Interest on net OPEB obligation | 1,852,009 |
| Adjustment to annual required contribution | <u>2,575,096</u> |
| Annual OPEB cost (expense) | 14,611,598 |
| Contributions made | <u>4,516,252</u> |
| Increase in net OPEB obligation | 10,095,346 |
| Net OPEB obligation at beginning of year | <u>56,395,565</u> |
| Net OPEB obligation at end of year | \$ <u>66,490,911</u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

| <u>Fiscal</u> <u>Year</u> <u>Ending</u> | <u>Annual</u> <u>Required</u> <u>Contribution</u> | <u>Annual</u> <u>OPEB</u> <u>Cost</u> | <u>OPEB</u> <u>Contributions</u> | <u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u> | <u>Net</u> <u>OPEB</u> <u>Obligation</u> |
|---|---|---|-------------------------------------|---|--|
| 6/30/2016 | \$ 10,184,493 | 14,611,598 | 4,516,252 | 30.91% | 66,490,911 |
| 6/30/2015 | 10,184,493 | 14,611,598 | 4,516,252 | 30.91% | 56,395,565 |
| 6/30/2014 | 13,201,771 | 13,195,791 | 3,455,988 | 26.19% | 46,300,219 |

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(11) Other Postemployment Benefits (OPEB), Continued

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$159,761,903 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$159,761,903. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return. An annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.0% after 9 years. Both rates included an inflation assumption. The UAAL is being amortized over future years in accordance with the employer's established accounting policy. The remaining amortization period at June 30, 2016 was 23 years.

(12) Risk Management

(a) General

The 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.

(b) Consortiums and Self Insured Plans

The District participates in a risk sharing pool, the Southern Westchester School Cooperative Workers' Compensation Self-Insurance Plan, to insure workers' compensation claims. This public entity risk pool was created under Article 5 of Workers' Compensation Law, to finance liability and risks related to workers' compensation claims.

The District pays annual premiums to the pool for its workers' compensation claims coverage. The plan has obtained an excess compensation insurance policy to buffer the effect that a single large claim may have on the Plan. Although excess compensation insurance permits recovery of a portion of such losses from the insurance carrier, it does not discharge the Plan's responsibility for payment of the claim.

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(12) Risk Management, Continued

(b) Consortiums and Self Insured Plans, Continued

The Plan established a liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Plans' total undiscounted liability for unbilled and opened claims at June 30, 2016, is \$18,771,358 which includes IBNR. Of this total liability, \$2,064,849 is associated with the District. Total plan assets were not available at the date of these financial statements. During the year ended June 30, 2016, the Districts' contribution to the Plan was approximately \$549,393.

The District has chosen to establish a self-funded health benefit program for its employees. The benefit program's administrator, POMCO, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the general fund of the District. At year-end, the District has a liability of \$3,000,000 which represents reported and unreported claims which were incurred on or before year end, but which were not paid by the District as of that date. This amount consists of claims reported to the District by the benefits program administrator of \$2,568,336, and the estimated incurred claims which were not reported to either the benefits program administrator or the District of \$431,664. Claims activity is summarized below:

| Current Year Balance at Beginning of Year | Claims and Changes in Estimates | Claims Payments | Balance at End of Year |
|--|---------------------------------------|--------------------|------------------------------|
| <u>\$3,000,000</u> | <u>15,713,852</u> | <u>15,713,852</u> | <u>3,000,000</u> |

Claims reported for the fiscal year ended June 30:

| | |
|------|---------------|
| 2016 | \$ 15,713,852 |
| 2015 | \$ 15,237,215 |
| 2014 | \$ 13,864,562 |

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(12) Risk Management, Continued

(b) Consortiums and Self Insured Plans, Continued

Incurred but not reported for the fiscal year ended June 30:

| | |
|------|--------------|
| 2016 | \$ 3,000,000 |
| 2015 | \$ 3,000,000 |
| 2014 | \$ 3,000,000 |

(13) Commitments and Contingencies

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

Various legal actions are pending against the District. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability, if any, will not have a material adverse effect on the financial condition or results of operation of the District.

(14) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 74 - "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This Statement, issued in June 2015, replaces existing standards of accounting and financial reporting for post employment benefit plans other than pension plans and also replaces existing requirements for defined contribution OPEB plans. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016, which is the fiscal year beginning July 1, 2016 for the District. The effect of this Statement on the financial statements of the District is presently undeterminable.

GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This Statement, issued in June 2015, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for fiscal years beginning after June 15, 2017, which is the fiscal year beginning July 1, 2017 for the District. The effect of this Statement on the financial statements of the District is presently undeterminable.

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(14) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 77 - "Tax Abatement Disclosures". This Statement, issued in August 2015, requires governments that enter into tax abatement agreements to disclose taxes abated, the gross amount of such taxes abated during the period and any other commitments made by the government other than to abate taxes, as a part of the abatement agreement. The requirements for this Statement are effective for financial statements for periods beginning after December 15, 2015, which is the fiscal year beginning July 1, 2016 for the District. The effect of this Statement on the financial statements of the District is presently undeterminable.

GASB Statement No. 78 - "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans." This Statement, issued in December 2015 amends GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2015, which is the fiscal year beginning July 1, 2016 for the District. The effects of this Statement on the financial statements of the District are not presently determinable.

GASB Statement No. 79 - "Certain External Investment Pools and Pool Participants." This Statement, issued in December 2015, addresses the accounting and financial reporting for certain external investment pools and pool participants. It establishes the criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. For the District, this Statement becomes effective for the fiscal year beginning July 1, 2016. The effects of this Statement on the financial statements of the District are not presently determinable.

GASB Statement No. 80 - "Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14." This Statement, issued in January 2016, amends the blending requirements for the financial statement presentation of component units of all state and local governments. It requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2016, which is the fiscal year beginning July 1, 2017 for the District. This Statement is not expected to have a material effect on the financial statements of the District.

SCARSDALE UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(14) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 81 - "Irrevocable Split-Interest Agreements." This Statement, issued in March 2016, establishes accounting and reporting standards for irrevocable split-interest agreements with characteristics that are equivalent to irrevocable split-interest agreements in which a donor irrevocably transfers resources to an intermediary who administers these resources for the unconditional benefit of a government and at least one other beneficiary. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2016. For the District, this Statement becomes effective for the fiscal year beginning July 1, 2017. This Statement is being evaluated for its effect on the financial statements of the District.

GASB Statement No. 82 - "Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73." This Statement, issued in March 2016, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, which is the fiscal year beginning January 1, 2017 for the Town, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, which is the fiscal year beginning July 1, 2018 for the District. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the District.

(15) Prior Period Adjustment

Re-evaluation of certain long-term items have resulted in restatement of beginning net position. These items are discussed in more detail at footnotes 6 and 8. Net position has been restated by \$3,477,834.

SCARSDALE UNION FREE SCHOOL DISTRICT
Notes to Financial Statements, Continued

(16) Subsequent Events

On July 13, 2016 the District entered into a lease agreement with TD Equipment Finance, Inc. for computer equipment. Principal payments for the lease will total \$1,399,000 and interest payments will total \$29,120. The lease is payable over a four year period with \$357,030 total payable each year.

The District has evaluated all other subsequent events through the date of the report which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SCARSDALE UNION FREE SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual - General Fund
 Year ended June 30, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual (Budgetary Basis)</u> | <u>Final Budget Variance with Budgetary Actual</u> |
|--|----------------------------|-------------------------|---|--|
| Revenues: | | | | |
| Local sources: | | | | |
| Real property taxes | \$139,259,273 | 139,259,273 | 139,268,273 | 9,000 |
| Non property taxes | 973,705 | 973,705 | 941,565 | (32,140) |
| Charges for services | 867,288 | 867,288 | 825,909 | (41,379) |
| Use of money and property | 225,700 | 225,700 | 330,934 | 105,234 |
| Sale of property and compensation for loss | 15,000 | 15,000 | 26,100 | 11,100 |
| Miscellaneous | 202,081 | 202,081 | 258,211 | 56,130 |
| State sources | <u>6,005,033</u> | <u>6,005,033</u> | <u>6,534,512</u> | <u>529,479</u> |
| Total revenues | 147,548,080 | 147,548,080 | 148,185,504 | 637,424 |
| Other financing sources: | | | | |
| Transfers from other funds | - | - | 121,865 | 121,865 |
| Appropriated fund balance | <u>500,000</u> | <u>500,000</u> | <u>-</u> | <u>(500,000)</u> |
| Total revenue and other sources | <u>\$148,048,080</u> | 148,048,080 | <u>148,307,369</u> | <u>259,289</u> |
| Prior year encumbrances | | <u>2,120,363</u> | | |
| Total revenue and other sources including prior year encumbrances | | <u>\$ 150,168,443</u> | | |

(Continued)

SCARSDALE UNION FREE SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual - General Fund, Continued
 Year ended June 30, 2016

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Year-End Encumbrances | Final Budget Variance with Budgetary Actual and Encumbrances |
|--|-----------------------|--------------------|--------------------------------|--------------------------|--|
| Expenditures: | | | | | |
| General support: | | | | | |
| Board of Education | \$ 109,949 | 58,137 | 54,738 | - | 3,399 |
| Central administration | 504,202 | 548,980 | 548,779 | - | 201 |
| Finance | 1,069,808 | 1,160,439 | 1,149,703 | - | 10,736 |
| Staff | 718,191 | 907,644 | 874,740 | - | 32,904 |
| Central services | 11,722,899 | 12,733,399 | 11,313,634 | 826,729 | 593,036 |
| Special services | 1,243,496 | 1,249,882 | 1,215,750 | - | 34,132 |
| Instruction: | | | | | |
| Instruction, administration and improvement | 5,204,299 | 5,410,823 | 5,079,619 | 74,107 | 257,097 |
| Teaching - regular school | 55,014,931 | 53,907,069 | 53,585,540 | 158,152 | 163,377 |
| Special apportionment programs | 12,011,204 | 12,245,630 | 11,837,524 | 273,484 | 134,622 |
| Instructional media | 1,575,179 | 2,627,990 | 2,614,921 | 8,621 | 4,448 |
| Pupil services | 6,434,434 | 6,772,584 | 6,717,625 | 43,744 | 11,215 |
| Community services | 366,454 | 408,815 | 408,815 | - | - |
| Pupil transportation | 4,057,664 | 4,077,201 | 3,615,706 | - | 461,495 |
| Employee benefits | 36,937,090 | 36,929,827 | 33,692,025 | - | 3,237,802 |
| Debt service | 9,767,940 | 9,767,940 | 9,741,534 | - | 26,406 |
| Total expenditures | 146,737,740 | 148,806,360 | 142,450,653 | 1,384,837 | 4,970,870 |
| Other financing uses - transfers to other funds | 1,310,340 | 1,362,083 | 1,362,083 | - | - |
| Total expenditures and other financing uses | <u>\$ 148,048,080</u> | <u>150,168,443</u> | <u>143,812,736</u> | <u>1,384,837</u> | <u>4,970,870</u> |
| Net change in fund balance | | | 4,494,633 | | |
| Fund balance at beginning of year | | | <u>16,244,720</u> | | |
| Fund balance at end of year | | | <u>\$ 20,739,353</u> | | |

Budget Basis of Accounting

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

SCARSDALE UNION FREE SCHOOL DISTRICT
Required Supplementary Information
Schedule of Funding Progress
Other Postemployment Benefits Plan
For the year ended June 30, 2016

| Actuarial valuation <u>date</u> | Actuarial value of <u>assets</u> | Actuarial accrued <u>liability (AAL)</u> | Unfunded <u>AAL (UAAL)</u> | Funded <u>ratio</u> | Covered <u>payroll</u> | UAAL as a percentage of covered <u>payroll</u> |
|---------------------------------------|--|--|-------------------------------|------------------------|---------------------------|---|
| July 1, 2014 | \$ - | 159,761,903 | 159,761,903 | 0.0% | 69,631,438 | 229.44% |
| July 1, 2012 | - | 138,426,579 | 138,426,579 | 0.0% | 64,903,566 | 213.28% |
| July 1, 2010 | - | 117,315,542 | 117,315,542 | 0.0% | 65,194,367 | 179.95% |

SCARSDALE UNION FREE SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of District's Proportionate Share of the Net Pension Asset/Liability
 For the year ended June 30, 2016

| NYSERS Pension Plan | | |
|---|-----------------|-----------------|
| | <u>2016</u> | <u>2015</u> |
| District's proportion of the net pension liability | 0.0481908% | 0.0492132% |
| District's proportionate share of the net pension liability | \$ 7,734,751 | \$ 1,662,543 |
| District's covered payroll | \$ 15,368,020 | \$ 14,869,288 |
| District's proportionate share of the net pension liability as a percentage of its covered -employee payroll | 50.33% | 11.18% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.70% | 97.95% |
| NYSTRS Pension Plan | | |
| | <u>2016</u> | <u>2015</u> |
| District's proportion of the net pension asset | 0.408725% | 0.430549% |
| District's proportionate share of the net pension (asset) liability | \$ (42,453,511) | \$ (46,577,660) |
| District's covered payroll | \$ 62,890,086 | \$ 61,396,055 |
| District's proportionate share of the net pension asset as a percentage of its covered -employee payroll | 67.50% | 75.86% |
| Plan fiduciary net position as a percentage of the total pension asset | 110.46% | 111.48% |

* The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

SCARSDALE UNION FREE SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of District's Pension Contributions
 For the fiscal years ended June 30,

| NYSERS Pension Plan | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Contractually required contribution | \$ 2,112,940 | 2,758,643 | 3,000,818 | 2,705,396 | 2,369,361 |
| Contributions in relation to the contractually required contribution | <u>2,112,940</u> | <u>2,758,643</u> | <u>3,000,818</u> | <u>2,705,396</u> | <u>2,369,361</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| District's covered employee payroll | \$ 15,368,020 | 14,869,288 | 14,918,367 | N/A | N/A |
| Contributions as a percentage of covered employee payroll | 13.75% | 18.55% | 20.11% | N/A | N/A |

| NYSTRS Pension Plan | | | | | |
|--|------------------|-------------------|-------------------|------------------|------------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Contractually required contribution | \$ 8,210,890 | 11,161,263 | 10,387,337 | 7,467,029 | 6,800,357 |
| Contributions in relation to the contractually required contribution | <u>8,210,890</u> | <u>11,161,263</u> | <u>10,387,337</u> | <u>7,467,029</u> | <u>6,800,357</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| District's covered employee payroll | \$ 62,890,086 | 61,396,055 | 61,396,055 | N/A | N/A |
| Contributions as a percentage of covered employee payroll | 13.06% | 18.18% | 16.92% | N/A | N/A |

OTHER SUPPLEMENTARY INFORMATION

SCARSDALE UNION FREE SCHOOL DISTRICT
 Supplementary Information
 Schedule of Change from Adopted Budget to Final Budget
 and the Real Property Tax Law
 Limit Calculation
 Year ended June 30, 2016

Change from adopted budget to final budget:

| | |
|-------------------------------|-----------------------|
| Adopted budget | \$ 148,048,080 |
| Add prior year's encumbrances | <u>2,120,363</u> |
| Final budget | <u>\$ 150,168,443</u> |
| Adopted budget 2016 - 2017 | <u>\$ 150,454,297</u> |

Section 1318 of Real Property Tax Law Limit Calculation:

| | |
|---|---------------------|
| 2017 expenditure budget (maximum allowed 4% of 2016 budget) | <u>\$ 6,018,172</u> |
|---|---------------------|

General fund fund balance subject to Section 1318 of
Real Property Tax Law*:

Unrestricted fund balance:

| | |
|-------------------------|------------------|
| Assigned fund balance | \$ 2,484,837 |
| Unassigned fund balance | <u>5,936,834</u> |

| | |
|---------------------------------|-----------|
| Total unrestricted fund balance | 8,421,671 |
|---------------------------------|-----------|

Less:

| | |
|---|------------------|
| Appropriated fund balance | 1,100,000 |
| Encumbrances included in committed and assigned fund balance | <u>1,384,837</u> |

| | |
|-------------------|------------------|
| Total adjustments | <u>2,484,837</u> |
|-------------------|------------------|

General fund fund balance subject to Section 1318
of Real Property Tax Law

\$ 5,936,834

| | |
|-------------------|-------|
| Actual percentage | 3.95% |
|-------------------|-------|

* 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.

SCARSDALE UNION FREE SCHOOL DISTRICT
Supplementary Information
Schedule of Project Expenditures - Capital Projects Fund
Year ended June 30, 2016

| <u>Project Title</u> | <u>Budget</u> | <u>Revised budget</u> | <u>Expenditures</u> | | <u>Total</u> | <u>Unexpended balance</u> |
|--|---------------|---------------------------|------------------------|-------------------------|--------------|-------------------------------|
| | | | <u>Prior years</u> | <u>Current year</u> | | |
| High School Autoshop | \$ 300,000 | 300,000 | 3,605 | (3,605) | - | 300,000 |
| Fitness Center | 350,000 | 350,000 | 35,919 | - | 35,919 | 314,081 |
| Edgewood Fire Alarm | - | - | 17,124 | 5,028 | 22,152 | (22,152) |
| Fox Meadow School Office | 395,000 | 395,000 | - | 395,000 | 395,000 | - |
| Heathcote Fire Alarm | 280,000 | 171,362 | - | 171,362 | 171,362 | - |
| Fox Meadow Playground | 95,000 | 83,514 | - | 83,514 | 83,514 | - |
| District Wide Field Study | - | - | - | 5,250 | 5,250 | (5,250) |
| District Wide Pre-Bond Master Plan | - | - | - | 30,145 | 30,145 | (30,145) |
| Architectural Services | - | - | 93,636 | - | 93,636 | (93,636) |
| Dean Field | 270,000 | 270,000 | - | - | - | 270,000 |
| Bus compound - drainage and paving | 100,000 | 100,000 | - | - | - | 100,000 |
| \$18.12M Project - Gift Received | 360,000 | 361,805 | - | - | - | 361,805 |
| \$18.12M Project | 18,120,000 | 18,120,000 | 1,880,487 | 1,533,168 | 3,413,655 | 14,706,345 |
| Computer Lease Payment | 1,399,000 | 1,399,000 | - | 1,399,000 | 1,399,000 | - |
| Garage Lease Payment | 126,305 | 126,305 | - | 126,305 | 126,305 | - |
| Sub Total | 21,795,305 | 21,676,986 | 2,030,771 | 3,745,167 | 5,775,938 | 15,901,048 |
| Portion of \$18.12M Project not funded yet | (14,800,000) | (14,800,000) | - | - | - | (14,800,000) |
| Total | \$ 6,995,305 | 6,876,986 | 2,030,771 | 3,745,167 | 5,775,938 | 1,101,048 |

SCARSDALE UNION FREE SCHOOL DISTRICT
Supplementary Information
Net Investment in Capital Assets
Year ended June 30, 2016

| | | |
|---|------------------|----------------------|
| Capital assets, net | | \$ 89,480,783 |
| Deduct: | | |
| Short-term portion of lease payable | \$ 1,969,000 | |
| Short-term portion of bonds payable | 6,615,000 | |
| Short-term portion of unamortized bond premiums | 437,473 | |
| Long-term portion of lease payable | 5,511,170 | |
| Long-term portion of bonds payable | 17,225,000 | |
| Long-term portion of unamortized bond premiums | <u>1,786,870</u> | <u>33,544,513</u> |
| Net investment in capital assets | | <u>\$ 55,936,270</u> |

SCARSDALE UNION FREE SCHOOL DISTRICT

Federal Grant Compliance Audit

June 30, 2016

SCARSDALE UNION FREE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

| <u>Federal Grantor/Pass-through Grantor Program Title</u> | <u>CFDA Number</u> | <u>Agency or pass- through number</u> | <u>Expenditures</u> | <u>Expenditures to Subrecipients</u> |
|---|------------------------|---|---------------------|--|
| <u>U.S. Department of Education:</u> | | | | |
| Passed-through NYS Education Department: | | | | |
| Special Education Cluster: | | | | |
| EHA, Part VI B, PL 94-142 | 84.027 | 0032-16-1097 | \$ 798,205 | 94,269 |
| PL 99-457, Preschool | 84.173 | 0033-16-1097 | 18,273 | 11,061 |
| Total Special Education Cluster | | | 816,478 | 105,330 |
| Title II A | 84.367 | 0147-15-3805 | 19,876 | - |
| Title II A | 84.367 | 0147-16-3805 | 72,912 | - |
| Title III LEP | 84.365 | 0293-15-3805 | 5,248 | - |
| Title III LEP | 84.365 | 0293-16-3805 | 15,251 | - |
| Total Expenditures of Federal Awards | | | \$ 929,765 | 105,330 |

See accompanying notes to schedule of expenditures of federal awards.

SCARSDALE UNION FREE SCHOOL DISTRICT
Note to the Schedule of Expenditures of Federal Awards
June 30, 2016

(1) Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of the Uniform Guidance.

The District's practice is not to charge federal programs with indirect costs.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in the schedule of expenditures of federal awards are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

INDEPENDENT AUDITORS' 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

The Board of Education
Scarsdale 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 fiduciary funds of Scarsdale Union Free School District (the District), as of and for the year ended June 30, 2016, and the related notes to the District's basic financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
November 16, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
Scarsdale Union Free School District:

Report on Compliance for Each Major Federal Program

We have audited Scarsdale Union Free School District's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
November 16, 2016

SCARSDALE CENTRAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- Type of auditors' report issued: Unmodified
- Internal control over financial reporting:
1. Material weakness(es) identified? ☐ Yes ☒ No
2. Significant deficiency(ies) identified not considered to be material weakness(es)? ☐ Yes ☒ None reported
3. Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

- Internal control over major programs:
4. Material weakness(es) identified? ☐ Yes ☒ No
5. Significant deficiency(ies) identified not considered to be material weakness(es)? ☐ Yes ☒ None reported
- Type of auditors' report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)(Uniform Guidance)? ☐ Yes ☒ No
7. The District's major programs audited were:
- | <u>Name of Federal Programs</u> | <u>CFDA Number</u> |
|---------------------------------|--------------------|
| Special Education Cluster | 84.027/84.173 |
8. Dollar threshold used to distinguish between Type A and Type B programs? \$750,000
9. Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable finding and questioned costs.

SCARSDALE UNION FREE SCHOOL DISTRICT
Status of Prior Year Audit Findings
Year ended June 30, 2016

There were no audit findings in the prior year financial statements (June 30, 2015).