

**Katonah-Lewisboro Union Free
School District, New York**

Financial Statements and
Supplementary Information

Year Ended June 30, 2016

Katonah-Lewisboro Union Free School District, New York

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Independent Auditors' Report

**Board of Education of the
Katonah-Lewisboro Union Free School District, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Katonah-Lewisboro Union Free School District, New York ("School District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School 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.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

September 28, 2016

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

Management's Discussion and Analysis June 30, 2016

This discussion and analysis of the Katonah-Lewisboro Union Free School District, (the "School District") financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. It should be read in conjunction with the basic financial statements, which immediately follow this section. This analysis is written to enhance the understanding of the School District's financial performance and to highlight certain areas.

The results of the current year are discussed in comparison with the prior year, with emphasis placed on the current year. This section serves only as an introduction. Readers should review this analysis in conjunction with the basic financial statements, notes to the financial statements and required supplemental information that follows.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2016 are as follows:

District-Wide Highlights:

- ❖ New York State Law limits the amount of unrestricted (General Fund) fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount assigned for the subsequent year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$4,012,694 and this amount represents 3.79% of the 2016-17 expenditure budget.
- ❖ Total net position of governmental activities decreased by \$2,208,046. The major contributing factors relating to this decrease are as follows:
 - ❖ The districts share of the net pension liability associated with the Employees Retirement System increased from \$1,392,070 as of June 30, 2015 to \$6,559,768. A portion of this increase is related to adjustments in the investment rate of return by NYS.
 - ❖ The district's net pension asset associated with the Teachers' Retirement System decreased from \$32,986,360 on June 30, 2015 to \$29,833,244 on June 30, 2016. Overall the Teachers' Retirement System reports that the fiduciary net position as a percentage of total pension liability is a healthy 110.46%
 - ❖ The amount of liability associated with Other Post Employment Benefits (retiree health insurance) recognized on the Statement of Net Position increased by \$12,874,109
- ❖ General revenues and Program revenues (charges for services and grants or contributions) total \$108,658,431. Of this, General revenues related to governmental activities accounted for \$104,946,566 or 96.58% of all revenues. Program specific revenues, in the form of charges for services and grants or contributions, accounted for \$3,711,865 or 3.42%.

- ❖ The School District had \$110,866,477 in expenses related to governmental activities; as discussed above, only \$3,711,865 of these expenses were offset by program specific revenues and charges. General revenues (primarily property taxes) supplemented these program specific revenues to provide for these remaining expenses.

Fund Financial Highlights:

- ❖ The School District's governmental fund financial statements report a combined (General Fund, Capital Fund, Special Aid Fund, and Other Governmental Funds) fund balance of \$17,556,836 a decrease of \$1,982,719 from 2015. The majority of this decrease in fund balance is associated with the completion of a number of capital projects which were ongoing at the end of the previous fiscal year.
- ❖ The General Fund had \$105,606,294 in revenues and \$10,204,892 in other financing sources (insurance recoveries, Refunding bonds Issued as well as an issuance premium and transfers in from other funds) totaling \$115,811,186; and \$102,460,008 in expenditures and \$13,168,969 in other financing uses (Voter approved transfer to capital fund - buses, annual transfer to capital approved within the regular budget, transfers to capital fund related to pre-payment of bus BANS, Payment to refunding bond escrow agent and the transfer to the special aid fund to pay summer special education costs as approved in the budget) totaling \$115,628,977 (total of expenses and transfers out). The General Fund's fund balance increased to a balance of \$15,637,545 from \$15,455,336 i.e. revenues plus transfers in exceeded expenses plus transfers out by \$182,209.
- ❖ The School District has been able to assign (designate) \$3,200,000 of unrestricted fund balance to be returned to the taxpayers for the 2016-2017 school year. Inclusive within this \$3,200,000 is \$1,250,000 of reserves utilized. The amount of reserves previously utilized during the 2015-2016 fiscal year was also \$1,250,000.
- ❖ The Board of Education has maintained the existence and use of Retirement Contribution Reserve, Reserve for Liability Claims, Unemployment Insurance Reserve, Employee Benefits Reserve, Capital Projects Reserve, Debt Service Reserve and Tax Certiorari Reserve. These reserves continue to be utilized on an annual basis to help offset further tax levy increases. Restricted fund equity at June 30, 2015 totals \$7,663,618.

OVERVIEW OF THE FINANCIAL STATEMENTS

- This annual report consists of three parts: MD&A (this section), a series of financial statements and notes to those statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District finances.
- The first two statements are *School District-wide financial statements* that provide both short-term and long-term information about the activities of the School District and an *overall* view of its financial status.
- The remaining statements, *fund financial statements*, focus on *individual parts* of the School District, reporting operations in *more detail* than the School District-wide statements. The *governmental funds statements* concentrate on the School District's

most significant funds with all other non-major funds listed in total in one column. They tell how basic services were financed in the *short term* as well as what remains for future spending.

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at the financial transactions and asks the question, “How did we do financially during 2015-2016?” The *Statement of Net Position* and *Statement of Activities* answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources revenues and expenses* using the *accrual basis of accounting*, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid. New to the financial statements last year was the recognition of our net pension liability (asset) relative to the state retirement systems. Information regarding this net pension reporting can be found within Note 3.

These two statements report the School District’s *net position* and changes in those assets. Net position – the difference between the School District’s assets and liabilities – are one way to measure the School District’s financial health or position. Over time, increases or decreases in the School District’s net position is an indicator of whether the *financial position* of the School District as a whole is improving or deteriorating. The causes for change may be the result of many factors, some financial, some not. Non-financial factors include changes in the School District’s real property tax base, current laws in New York, the condition of school buildings and other facilities, new or mandated educational programs and area economic factors such as unemployment and inflation.

In the School District-wide financial statements, the School District reports all its programs and basic services as *governmental activities* including regular and special instruction, administration and support services, transportation and food service operations.

The School District’s Statement of Net Position and Statement of Activities can be found on pages 18-19 of the basic financial statements.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and bond covenants. The School District has established other funds to control and manage money for particular purposes or to show that it is properly using certain revenues, such as federal grants. Fund financial statements provide detailed information about individual School District funds, focusing on its most significant or major funds—not the School District as a whole.

The School District has two kinds of funds:

Governmental Funds

Most of the School District's activities are reported in *governmental funds*, which focus on how funds flow into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

The School District reports the following governmental funds: General Fund, Special Aid Fund, School Lunch Fund, Capital Projects Fund and Special Purpose Fund. Information is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures and Changes in Fund Balances for each fund that the School District reports as a major fund and in the aggregate for non-major funds. Because this information does not encompass the additional long-term focus of the School District-wide statements, reconciliation is provided with the fund financial statements to explain the relationship (or differences) between them.

The governmental fund statements can be found on pages 20-24 of the basic financial statements.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the School District in a custodial or *agency* capacity. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District acts in a *trustee capacity* as an agent for individuals, private organizations, and other governmental units. These activities are reported in an *Agency Fund*.

All of the School District's fiduciary activities are reported in separate *Statements of Fiduciary Assets and Liabilities* on page 28 of the financial statements. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Notes to the Basic Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 29-57 of this report.

Combining and Individual Fund Financial Statements and Schedules

Several additional financial statements and schedules are included providing detailed information relating to the various funds of the School District.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The Statement of Net Position provides the perspective of the School District as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The table below provides a summary of the School District's net position at June 30, 2016 with comparisons to June 30, 2015 as stated.

Condensed Statement of Net Position

	Governmental Activities and Total School District		Percentage Change
	Beginning	Ending	
<u>Assets</u>			
Current and other assets	\$ 65,604,372	\$ 55,809,881	-14.93%
Capital assets, net	84,738,945	85,601,422	1.02%
Total Assets	150,343,317	141,411,303	-5.94%
Deferred Outflow of Resources	9,074,418	12,917,658	42.35%
<u>Liabilities</u>			
Current and other liabilities	13,309,440	8,493,952	-36.18%
Long-term debt and other liabilities	112,498,600	126,027,619	12.03%
Total Liabilities	125,808,040	134,521,571	6.93%
Deferred Inflows of Resources	22,636,291	11,042,032	100.00%
<u>Net Position</u>			
Net investment in capital assets	58,698,108	63,452,930	8.10%
Restricted	9,242,001	8,252,009	-10.71%
Unrestricted	(56,966,705)	(62,939,581)	10.48%
Total Net Position	\$ 10,973,404	\$ 8,765,358	-20.12%

"Total Net Position" decreased by \$2,208,046. As previously mentioned, the districts share of the net pension liability associated with the Employees Retirement System increased from \$1,392,070 as of June 30, 2015 to \$6,559,768. The district's net pension asset associated with the Teachers' Retirement System decreased from \$32,986,360 on June 30, 2015 to \$29,833,244 on June 30, 2016. The amount of liability associated with Other Post Employment Benefits (retiree health insurance) recognized on the Statement of Net Position increased by \$12,874,109. This brings the total liability associated with Other Post Employment Benefits to \$94,016,790. At close of the fiscal year, the liability associated with debt related to an Energy Performance Contract was \$7,197,382. Finally, it is important to note that during the 2015-16 fiscal year the district made the final payments on bonds that had been refinanced in 2004. As a result, the general fund budget associated with serial bond payments for the 2016-17 school year has decreased by approximately \$2.9 million.

The following table illustrates changes in net position from operating results for fiscal year 2016 compared to fiscal year 2015.

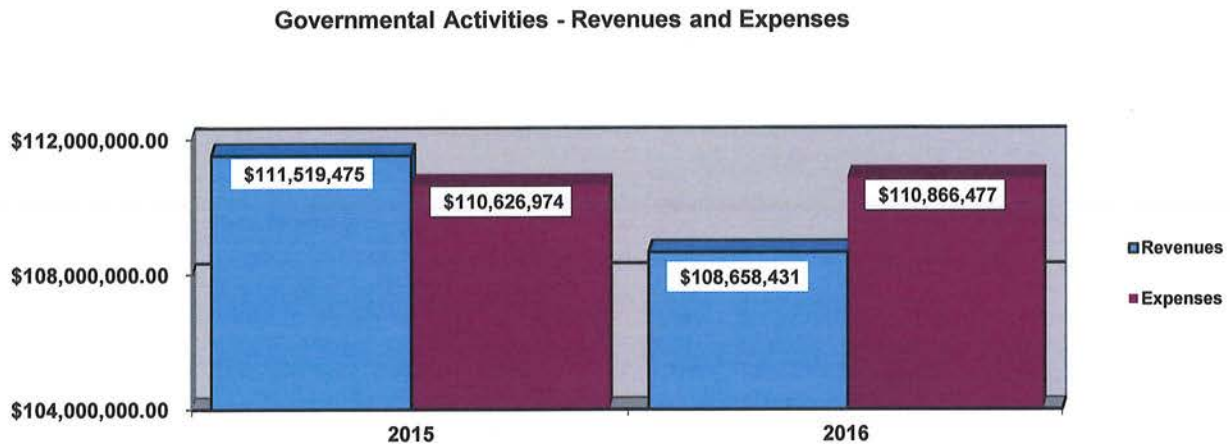
Changes in Net Position from Operating Results

	Governmental and Total School District 2015	2016	Percentage Change
Revenues			
Program revenues:			
Charges for services	\$ 1,370,118	\$ 1,534,304	11.98%
Operating grants and contributions	2,076,994	2,111,916	1.68%
Capital grants and contributions	195,214	65,645	-66.37%
	<u>3,642,326</u>	<u>3,711,865</u>	<u>1.91%</u>
General revenues:			
Property taxes	90,484,611	87,166,948	-3.67%
Other tax items	8,461,390	8,724,507	3.11%
Non-property taxes	941,742	958,657	1.80%
State formula aid	7,170,591	7,356,996	2.60%
Use of money and property	68,219	59,236	-13.17%
Sale of property and compensation for loss	20,090	15,667	-22.02%
Miscellaneous	730,506	664,555	-9.03%
	<u>107,877,149</u>	<u>104,946,566</u>	<u>-2.72%</u>
Total Revenues	<u>111,519,475</u>	<u>108,658,431</u>	<u>-2.57%</u>
Program Expenses			
General support	14,291,445	18,500,466	29.45%
Instruction	86,261,256	82,915,721	-3.88%
Pupil transportation	7,893,518	7,613,076	-3.55%
Community service	32,088	26,573	-17.19%
Cost of sales - food	1,163,789	1,188,848	2.15%
Other	14,925	12,660	-15.18%
Debt service - interest	969,953	609,133	-37.20%
Total Expenses	<u>110,626,974</u>	<u>110,866,477</u>	<u>0.22%</u>
Increase (Decrease) in Net Position	<u>892,501</u>	<u>(2,208,046)</u>	<u>-347.40%</u>
Net Position			
Beginning, as reported	2,174,153	10,973,404	404.72%
Cumulative effect of change in accounting principle	<u>7,906,750</u>	<u>-</u>	<u>100.00%</u>
Beginning, as restated	<u>10,080,903</u>	<u>10,973,404</u>	<u>8.85%</u>
Ending	<u>\$ 10,973,404</u>	<u>\$ 8,765,358</u>	<u>-20.12%</u>

As previously mentioned, the Net Position of the School District's governmental activities decreased by \$2,208,046 in 2016. A review of the table above reveals that property taxes have continued to decline. During 2015-16 revenues related to property taxes declined by \$3,317,663 from the previous year. Moderate increases in other revenue categories results in an overall reduction in revenues from one year to the next in the net amount of \$2,861,044. In total revenues amounted to \$108,658,431. Expenditures remained approximately the same from one year to the next although there were shifts in the categorization of depreciation from one year to the next. Specifically, during 2015-16 the majority of the asset depreciation was recognized in General Support verses Instruction. In total expenses amounted to \$110,866,477. If you subtract the 2015-16 expenses from the 2015-16 revenues you can see that the districts net position from operating results declined by \$2,208,046.

Please note that the program expenses shown in the table above include depreciation expenses, the recognition of Other Post Employment Benefit Obligations and the portion of the NYS Employee Retirement System and NYS Teacher Retirement System net financial liability or asset which is associated with the Katonah Lewisboro School District.

The graph below compares the School District's governmental activities revenues and expenses for the fiscal years 2015 and 2016.



The Statement of Activities also presents the cost of program services and the charges for services and grants or contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost, (net of program revenues) of services for 2015 and 2016. It also identifies the cost of these services supported by general revenues such as real property taxes and unallocated basic State aid.

Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2015	2016		2015	2016	
General support	\$ 14,291,445	\$ 18,500,466	29.45%	\$ 14,147,026	\$ 18,348,492	29.70%
Instruction	86,261,256	82,915,721	-3.88%	83,972,096	80,671,173	-3.93%
Transportation	7,893,518	7,613,076	-3.55%	7,809,908	7,526,477	-3.63%
Community service	32,088	26,573	-17.19%	32,088	26,573	-17.19%
Cost of food sales & other	1,178,714	1,201,508	1.93%	54,881	(26,842)	-148.91%
Debt service - interest	969,953	609,133	-37.20%	968,649	608,739	-37.16%
Total Expenses	<u>\$ 110,626,974</u>	<u>\$ 110,866,477</u>	0.22%	<u>\$ 106,984,648</u>	<u>\$ 107,154,612</u>	0.16%

Total governmental expenses of \$110,866,477 were offset by program revenues (Charges for services and grants) of \$3,711,865 or 3.35% of total governmental expenses. The dependence upon general revenue during fiscal year 2015-2016 for governmental activities is apparent, as 96.65% of 2016 governmental activity expenses were supported through taxes and other general revenues. The School District's taxpayers, as a whole, are the primary support for the School District's educational programming.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's Funds

The School District's governmental funds (as presented on the balance sheet on pages 20-21) reported a combined fund balance of \$17,556,836. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and June 30, 2016. As you can see, the completion of projects during the 2015-16 school year has helped to reduce the fund balance associated with capital projects.

	Fund Balance June 30, 2015	Fund Balance June 30, 2016	Increase (Decrease)
General	\$ 15,455,336	\$ 15,637,545	\$ 182,209
Capital Projects	3,522,990	1,426,791	(2,096,199)
School Lunch	448,666	387,809	(60,857)
Special Purpose	112,563	104,691	(7,872)
Total	<u>\$ 19,539,555</u>	<u>\$ 17,556,836</u>	(1,982,719)

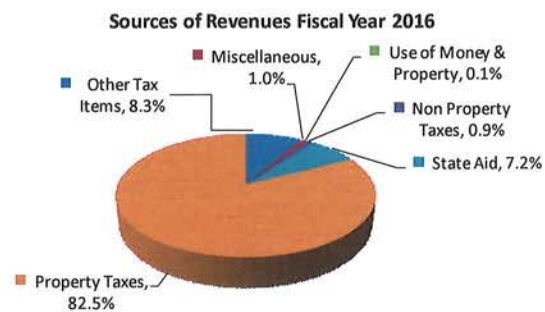
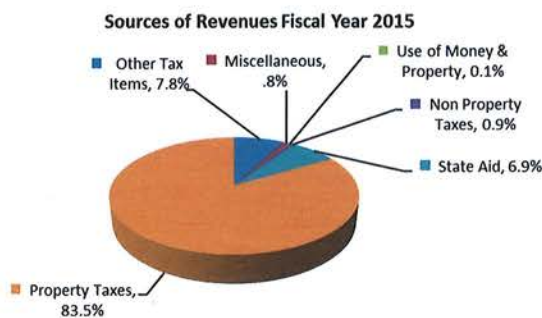
General Fund

The table that follows assists in illustrating the revenues of the General Fund.

	2015 Amount	2016 Amount	Percent of Change
Revenues			
Real property taxes	\$ 90,484,611	\$ 87,166,948	-3.67%
Other tax items	8,461,390	8,724,507	3.11%
Non-Property taxes	941,742	958,657	1.80%
Use of money and property	105,377	93,536	-11.24%
State sources	7,464,219	7,640,992	2.37%
Miscellaneous	931,054	1,021,654	9.73%
Total	\$ 108,388,393	\$ 105,606,294	-2.57%

The School District's General Fund revenues decreased by \$2,782,099. This decrease is mainly due to a decrease of \$3,317,663 of real property taxes combined with increases in other revenues. Other tax items (which increased by \$263,117) represents the portion of real property taxes offset by the NYS STAR reimbursement program. Miscellaneous revenues include a variety of smaller revenue sources including but not limited to admissions, tuition received from other public schools, health reimbursement revenue collected from other public schools, sale of scrap metal, gifts and donations, etc.

General Fund Revenues

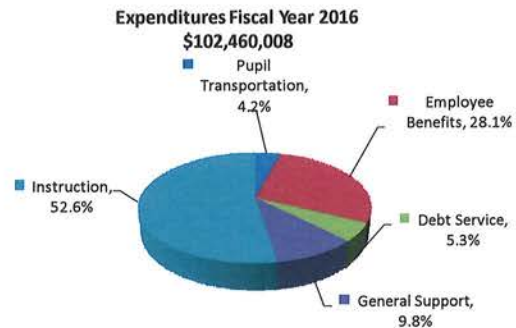
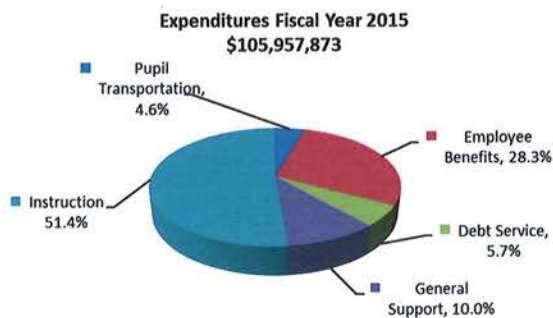


The table that follows assists in illustrating the expenditures of the General Fund.

	2015 Amount	2016 Amount	Percent of Change
<u>Expenditures</u>			
Instruction	\$ 54,426,744	\$ 53,850,647	-1.06%
General Support & Community Services	10,635,579	10,094,106	-5.09%
Pupil Transportaion	4,832,583	4,279,519	-11.44%
Employee Benefits	30,042,673	28,757,154	-4.28%
Debt Service	6,020,294	5,478,582	-9.00%
Total	<u>\$ 105,957,873</u>	<u>\$ 102,460,008</u>	-3.30%

Total expenditures of the General Fund decreased by 3.30% in the fiscal year 2016. Employee benefit costs declined by approximately \$1.3 million. This single year reduction was mostly due to a reduction in the employer contribution rate for the NYS retirement systems. A portion of the savings associated with lower retirement system costs was offset by higher health insurance costs. As you can see from the table above there was a reduction in the principal and interest paid during 2015-16 for debt service. In addition to making the final payment on debt which was refinanced in 2004 we also saved approximately \$135,000 by refinancing debt which was issued in 2005. Savings in the area of transportation are largely related to lower fuel prices in 2015-16.

General Fund Expenditures



General Fund Budgeting Highlights

The School District's budget is prepared in accordance with New York State law, and is based on accounting for certain transactions on a modified accrual basis. The only fund with a community approved budget is the General Fund.

Over the course of the year, modifications to the budget totaling \$10,400,834 were made in the General Fund. The majority of these modifications are shown below:

- ◆ An increase of \$222,441 for various prior year encumbrances.
- ◆ An increase of \$20,271 for various instructional materials and supplies to be funded by unanticipated gifts and donations.
- ◆ An increase of \$62,156 for a tax certiorari claim funded by an appropriation from the Tax Certiorari Reserve.
- ◆ An increase of \$10,095,966 for refunding bond activity.

Budget highlights and expenditure variances are outlined below:

- ◆ Expenses for the employee benefits section of the budget decreased by approximately \$1.3 million from fiscal year ending June 30, 2015. In last year's report we commented that the employee benefits section of the budget decreased by approximately \$2.1 million from the prior fiscal year. In total employee benefits have declined by approximately \$3.4 million over the past two years.
- ◆ Expenses in the general support portion of the budget also decreased from June 30, 2015 to June 30, 2016. In total the district reduced expenses in this area of the budget by more than \$530,000. Legal costs declined by approximately \$125,000. Other significant savings were realized in the operations and maintenance portion of the budget largely related to lower than budgeted energy costs.
- ◆ Expenses in the area of instruction decreased from one year to the next. This can be attributed for the most part to turnover of staff from one year to the next.
- ◆ Finally, expenses in the area of pupil transportation services decreased by approximately \$550,000. This reduction is associated with lower than budgeted fuel prices.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the School District had capital assets of \$85,601,422, net of accumulated depreciation, investments in land, construction in progress, land improvements, buildings and building improvements, machinery and equipment.

The following table shows fiscal year 2015 balances compared to 2016.

Capital Assets (Net of Depreciation) at June 30

	2015 Amount	2016 Amount	Percent of Change
Land	\$ 4,274,693	\$ 4,274,693	0.00%
Construction-in-Progress	7,092,943	4,035,264	-43.11%
Land Improvements	8,134,550	15,031,385	84.78%
Building & Building Improvements	59,123,234	55,901,108	-5.45%
Machinery & Equipment	6,113,525	6,358,972	4.01%
Total	<u>\$ 84,738,945</u>	<u>\$ 85,601,422</u>	1.02%

Overall capital assets (net of depreciation) increased \$862,477 from fiscal year 2015 to fiscal year 2016. The large decrease in the Construction-in-Progress category above is related to the completion of the Energy Performance Contract project.

Debt Administration

At June 30, 2016, the School District recognized \$126,027,619 outstanding long-term liabilities. Of this amount, \$14,015,000 is related to serial bonds. (The majority of the remaining amount is associated with the OPEB liability as previously mentioned.) See Note 3 for additional details.

Serial Bond Issue	2015	2016
Refunding Bonds 2004B	\$ 1,090,000	\$ -
Refunding Bonds 2004C	1,645,000	-
Reconstruction Bonds 2005A	5,755,000	-
Reconstruction Bonds 2005B	5,075,000	-
Refunding Bonds 2012	5,660,000	5,105,000
Refunding Bonds 2016 Non-taxable	-	7,370,000
Refunding Bonds 2016 Taxable	-	1,540,000
Total Outstanding Serial Bonds	<u>\$ 19,225,000</u>	<u>\$ 14,015,000</u>

- ❖ During the 2015-16 fiscal year the district refinanced our 2005A and 2005B reconstruction bonds at a lower interest rate. The refinanced debt was separated into two parts and is represented in the table above as 2016 non-taxable and 2016 taxable. By refinancing this debt will save the district over \$1.1 million over the next 9 years. This amounts to savings of just under \$124,000 per year.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

During the 2015-2016 fiscal year the district's bond rating was upgraded from Aa2 to Aa1. The Moody's announcement relative to the upgrade cited the district's "conservative fiscal management" as one of the factors influencing the decision to upgrade our bond rating. The report also cites the "low debt burden" which can be viewed in the table above showing our 2004B and 2004C refunding bonds completely satisfied. Challenges recognized in the Moody's report cite the property tax cap limits and the tax base value decline.

Although our health insurance budget has become much more predictable and we have saved millions of dollars by switching from a self-insured health plan to a premium based NYS plan, the ever increasing cost of health insurance will continue to be a burden on the district's finances. In addition to increases associated with health insurance, we anxiously monitor our retirement system employer contribution rates which are significantly tied to investment returns. Finally, as energy and fuel prices fluctuate we continue to try to reduce our energy consumption through creative means. Each of these expense items increase or decrease in a manner which in any given year could exceed the consumer price index by factors of 2 or 3 times. With the consumer price index hovering between 0% and 1% our ability to maintain a tax levy which is compliant with the tax cap formula will be challenging. These three budget items: health insurance premiums, retirement system employer contribution rates and energy/fuel prices combined with a property tax cap limit could place any district in New York State in a precarious position (if all three increase in any one year). Efficiencies in other areas must continue to be pursued to ensure we are able to maintain one of the highest quality educational programs in the area

With the ever increasing cost of health insurance, possible employer contribution rate increases to the NYS Retirement Systems, energy/fuel costs increasing and collective bargaining agreements being negotiated, the Board and the administration will need to skillfully plan in order to sustain our current level of service. The continued reduction in enrollment may help to counterbalance a portion of the potential increases previously mentioned.

In summary, based upon the current levels of reserves, the District is poised to withstand a number of years of financial challenges. School District Administration expects to continue this policy of diligent fiscal planning to ensure continued long-term budgetary health and stability.

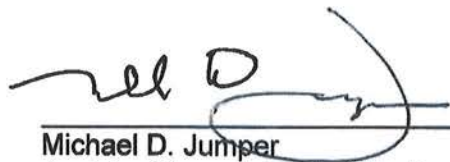
CONTACTING THE SCHOOL DISTRICT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the funds it receives.

Questions concerning this report or requests for additional information should be addressed to the School District at:

**Katonah-Lewisboro Union Free School District
P.O. Box 387
Katonah, New York 10536**

You are invited to visit our website at www.klschools.org.



Michael D. Jumper
Assistant Superintendent for Business



Kim Parks
School District Treasurer

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Katonah-Lewisboro Union Free School District, New York

Statement of Net Position

June 30, 2016

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 23,465,847
Restricted cash	5,989
Receivables	
Accounts	74,734
State and Federal aid	1,129,076
Due from other governments	1,287,187
Inventories	13,804
Net pension asset	29,833,244
Capital assets	
Not being depreciated	8,309,957
Being depreciated, net	77,291,465
Total Assets	141,411,303
DEFERRED OUTFLOWS OF RESOURCES	12,917,658
LIABILITIES	
Accounts payable	724,435
Accrued liabilities	506,334
Due to other governments	169,735
Due to retirement systems	6,536,590
Unearned revenues	482,707
Accrued interest payable	74,151
Non-current liabilities	
Due within one year	2,185,961
Due in more than one year	123,841,658
Total Liabilities	134,521,571
DEFERRED INFLOWS OF RESOURCES	11,042,032
NET POSITION	
Net investment in capital assets	63,452,930
Restricted	
Capital projects	1,499,626
Tax certiorari	2,280,200
Unemployment benefits	351,020
Debt service	131,293
Retirement contributions	2,516,480
Liability claims	680,660
Future capital projects	300,230
School lunch	387,809
Special purposes	104,691
Unrestricted	(62,939,581)
Total Net Position	\$ 8,765,358

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

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Katonah-Lewisboro Union Free School District, New York

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General support	\$ 18,500,466	\$ 13,988	\$ 137,986	\$ -	\$ (18,348,492)
Instruction	82,915,721	422,984	1,756,313	65,251	(80,671,173)
Pupil transportation	7,613,076	-	86,599	-	(7,526,477)
Community services	26,573	-	-	-	(26,573)
Cost of food sales	1,188,848	1,097,332	126,230	-	34,714
Other	12,660	-	4,788	-	(7,872)
Interest	609,133	-	-	394	(608,739)
Total Governmental Activities	\$ 110,866,477	\$ 1,534,304	\$ 2,111,916	\$ 65,645	(107,154,612)
General revenues					
Real property taxes					87,166,948
Other tax items					
School tax relief reimbursement					8,724,507
Non-property taxes					
Non-property tax distribution from County					958,657
Unrestricted use of money and property					59,236
Sale of property and compensation for loss					15,667
Unrestricted State aid					7,356,996
Miscellaneous					562,732
Insurance recoveries					101,823
Total General Revenues					104,946,566
Change in Net Position					(2,208,046)
Net Position - Beginning					10,973,404
Net Position - Ending					\$ 8,765,358

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

Katonah-Lewisboro Union Free School District, New York

Balance Sheet
 Governmental Funds
 June 30, 2016

	General	Capital Projects	Special Aid
ASSETS			
Cash and equivalents	\$ 21,300,085	\$ 1,499,806	\$ 52,473
Restricted cash	-	5,989	-
Receivables			
Accounts	71,368	-	-
State and Federal aid	496,754	-	623,240
Due from other governments	1,141,156	-	146,031
Due from other funds	481,541	-	-
Advances to other funds	255,967	-	-
Inventories	-	-	-
Total Assets	<u>\$ 23,746,871</u>	<u>\$ 1,505,795</u>	<u>\$ 821,744</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 516,429	\$ 5,989	\$ 109,172
Accrued liabilities	506,334	-	-
Due to other funds	-	73,015	408,526
Advances from other funds	-	-	255,967
Due to other governments	169,641	-	-
Due to retirement systems	6,536,590	-	-
Unearned revenues	380,332	-	48,079
Total Liabilities	<u>8,109,326</u>	<u>79,004</u>	<u>821,744</u>
Fund balances			
Nonspendable	255,967	-	255,967
Restricted	7,663,618	1,426,791	-
Assigned	3,705,266	-	-
Unassigned	4,012,694	-	(255,967)
Total Fund Balances	<u>15,637,545</u>	<u>1,426,791</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 23,746,871</u>	<u>\$ 1,505,795</u>	<u>\$ 821,744</u>

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

<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 613,483	\$ 23,465,847
-	5,989
3,366	74,734
9,082	1,129,076
-	1,287,187
-	481,541
-	255,967
13,804	13,804
<u>\$ 639,735</u>	<u>\$ 26,714,145</u>

\$ 92,845	\$ 724,435
-	506,334
-	481,541
-	255,967
94	169,735
-	6,536,590
54,296	482,707
<u>147,235</u>	<u>9,157,309</u>

13,804	525,738
104,691	9,195,100
374,005	4,079,271
-	3,756,727
<u>492,500</u>	<u>17,556,836</u>
<u>\$ 639,735</u>	<u>\$ 26,714,145</u>

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Katonah-Lewisboro Union Free School District, New York

Reconciliation of Governmental Funds Balance Sheet to the District-Wide Statement of Net Position June 30, 2016

Fund Balances - Total Governmental Funds	<u>\$ 17,556,836</u>
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 funds.	<u>85,601,422</u>
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, and assets or liabilities related to net pension assets (liabilities), whereas, these amounts are deferred and amortized in the statement of activities.	
Deferred amounts on refunding bonds	377,418
Deferred amounts on net pension assets (liabilities)	<u>1,498,208</u>
	<u>1,875,626</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension assets	<u>29,833,244</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(74,151)
Bonds payable	(15,328,528)
Energy performance contract debt payable	(7,197,382)
Compensated absences	(2,925,151)
Net pension liability	(6,559,768)
Other post employment benefit obligations payable	<u>(94,016,790)</u>
	<u>(126,101,770)</u>
Net Position of Governmental Activities	<u><u>\$ 8,765,358</u></u>

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

Katonah-Lewisboro Union Free School District, New York

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2016

	General	Capital Projects	Special Aid
REVENUES			
Real property taxes	\$ 87,166,948	\$ -	\$ -
Other tax items	8,724,507	-	-
Non-property taxes	958,657	-	-
Charges for services	422,984	-	-
Use of money and property	93,536	-	-
Sale of property and compensation for loss	15,667	-	-
State aid	7,640,992	65,251	539,922
Federal aid	-	-	926,948
Food sales	-	-	-
Miscellaneous	583,003	-	189,843
Total Revenues	105,606,294	65,251	1,656,713
EXPENDITURES			
Current			
General support	10,078,979	-	125,388
Instruction	53,850,647	-	1,521,068
Pupil transportation	4,279,519	-	91,421
Community services	15,127	-	-
Employee benefits	28,757,154	-	53,816
Cost of food sales	-	-	-
Other	-	-	-
Debt service			
Principal	4,571,846	-	-
Interest	782,159	-	-
Refunding bond issuance costs	124,577	-	-
Capital outlay	-	5,216,947	-
Total Expenditures	102,460,008	5,216,947	1,791,693
Excess (Deficiency) of Revenues Over Expenditures	3,146,286	(5,151,696)	(134,980)
OTHER FINANCING SOURCES (USES)			
Issuance premium	1,185,966	-	-
Refunding bonds issued	8,910,000	-	-
Insurance recoveries	101,823	-	-
Payment to refunded bond escrow agent	(9,971,389)	-	-
Transfers in	7,103	3,062,600	134,980
Transfers out	(3,197,580)	(7,103)	-
Total Other Financing Sources (Uses)	(2,964,077)	3,055,497	134,980
Net Change in Fund Balances	182,209	(2,096,199)	-
FUND BALANCES			
Beginning of Year	15,455,336	3,522,990	-
End of Year	\$ 15,637,545	\$ 1,426,791	\$ -

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

Other Governmental	Total Governmental Funds
\$ -	\$ 87,166,948
-	8,724,507
-	958,657
-	422,984
410	93,946
-	15,667
7,962	8,254,127
117,688	1,044,636
1,097,332	1,097,332
4,958	777,804
1,228,350	108,556,608
-	10,204,367
-	55,371,715
-	4,370,940
-	15,127
-	28,810,970
1,284,419	1,284,419
12,660	12,660
-	4,571,846
-	782,159
-	124,577
-	5,216,947
1,297,079	110,765,727
(68,729)	(2,209,119)
-	1,185,966
-	8,910,000
-	101,823
-	(9,971,389)
-	3,204,683
-	(3,204,683)
-	226,400
(68,729)	(1,982,719)
561,229	19,539,555
\$ 492,500	\$ 17,556,836

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Katonah-Lewisboro Union Free School District, New York

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2016

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	\$ (1,982,719)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount may be less than total capital outlay since capital outlay includes amounts that are under the capitalization threshold.

Capital outlay expenditures	5,524,215
Depreciation expense	(4,661,738)
	<u>862,477</u>

Bond proceeds and other debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Refunding bonds issued	(8,910,000)
Issuance premium	(1,185,966)
Payment to refunded bond escrow agent	9,971,389
Principal paid on serial bonds	4,315,000
Principal paid on energy performance contract debt	256,846
Amortization of premium and loss on refunding bonds	16,194
	<u>4,463,463</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest	156,832
Compensated absences	(64,149)
Retirement incentive	88,968
Pension assets (liabilities)	7,141,191
Other post employment benefit obligations	(12,874,109)
	<u>(5,551,267)</u>

Change in Net Position of Governmental Activities	<u>\$ (2,208,046)</u>
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The notes to the financial statements are an integral part of this statement.

Katonah-Lewisboro Union Free School District, New York

Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual
General and Special Aid Funds
Year Ended June 30, 2016

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 87,180,188	\$ 87,180,188	\$ 87,166,948	\$ (13,240)
Other tax items	8,724,507	8,724,507	8,724,507	-
Non-property taxes	943,810	943,810	958,657	14,847
Charges for services	245,000	245,000	422,984	177,984
Use of money and property	105,058	105,058	93,536	(11,522)
Sale of property and compensation for loss	-	-	15,667	15,667
State aid	7,888,157	7,888,157	7,640,992	(247,165)
Federal aid	-	-	-	-
Miscellaneous	180,000	200,271	583,003	382,732
Total Revenues	105,266,720	105,286,991	105,606,294	319,303
EXPENDITURES				
Current				
General support	11,225,247	11,238,928	10,078,979	1,159,949
Instruction	56,451,887	55,412,563	53,850,647	1,561,916
Pupil transportation	4,827,264	4,596,986	4,279,519	317,467
Community services	14,000	18,500	15,127	3,373
Employee benefits	29,857,444	29,217,993	28,757,154	460,839
Debt service				
Principal	4,571,848	4,571,848	4,571,846	2
Interest	907,071	782,170	782,159	11
Refunding bond issuance costs	-	124,577	124,577	-
Total Expenditures	107,854,761	105,963,565	102,460,008	3,503,557
Excess (Deficiency) of Revenues Over Expenditures	(2,588,041)	(676,574)	3,146,286	3,822,860
OTHER FINANCING SOURCES (USES)				
Issuance premium	-	1,185,966	1,185,966	-
Refunding bonds issued	-	8,910,000	8,910,000	-
Payment to refunded bond escrow agent	-	(9,971,389)	(9,971,389)	-
Insurance recoveries	15,000	15,000	101,823	86,823
Transfers in	-	-	7,103	7,103
Transfers out	(1,099,400)	(3,197,600)	(3,197,580)	20
Total Other Financing Sources (Uses)	(1,084,400)	(3,058,023)	(2,964,077)	93,946
Net Change in Fund Balances	(3,672,441)	(3,734,597)	182,209	3,916,806
FUND BALANCES				
Beginning of Year	3,672,441	3,734,597	15,455,336	11,720,739
End of Year	\$ -	\$ -	\$ 15,637,545	\$ 15,637,545

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

Special Aid Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
540,000	540,000	539,922	(78)
924,645	1,281,201	926,948	(354,253)
232,000	239,000	189,843	(49,157)
1,696,645	2,060,201	1,656,713	(403,488)
167,000	174,000	125,388	48,612
1,536,609	1,875,415	1,521,068	354,347
52,000	91,423	91,421	2
-	-	-	-
76,036	54,363	53,816	547
-	-	-	-
-	-	-	-
-	-	-	-
1,831,645	2,195,201	1,791,693	403,508
(135,000)	(135,000)	(134,980)	20
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
135,000	135,000	134,980	(20)
-	-	-	-
135,000	135,000	134,980	(20)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Katonah-Lewisboro Union Free School District, New York

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2016

	<u>Agency</u>
ASSETS	
Cash and equivalents	<u>\$ 392,175</u>
LIABILITIES	
Accounts payable	\$ 3,905
Employee payroll deductions	246,445
Student activity funds	55,512
Other	<u>86,313</u>
 Total Liabilities	 <u>\$ 392,175</u>

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

Note 1 - Summary of Significant Accounting Policies

The Katonah-Lewisboro Union Free School District, New York ("School District"), as presently constituted, was established in 1952 and operates in accordance with the provisions of the Education Law of the State of New York. The Board of Education is the legislative body responsible for overall operation of the School District and is elected by the voters of the School District. The Superintendent serves as the chief executive officer. The School District's primary function is to provide education for its pupils. Services such as transportation of pupils, administration, finance and plant maintenance support the primary function.

The accounting policies of the School District conform to generally accepted accounting principles for local governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the School District's more significant accounting policies:

A. Financial Reporting Entity

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

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the School District's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

The School District participates in the Putnam-Northern Westchester Board of Cooperative Educational Services ("BOCES"), a jointly governed entity. BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs which provide educational and support services. BOCES' governing board is elected based on the vote of members of the participating district's governing boards. BOCES' budget is comprised of separate budgets for administrative, program and capital costs. BOCES charges the districts for program costs based on participation and for administrative and capital costs. Each component school district's share of administrative and capital costs is determined by the ratio which the component school district's value of taxable properties in effect at the time of adoption bears to the total full value of taxable properties of all component school districts within BOCES as defined by Education Law. Copies of BOCES' financial statement can be requested from Putnam-Northern Westchester BOCES, 200 BOCES Drive, Yorktown Heights, New York 10598.

B. District-Wide Financial Statements

The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the School District as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Statement of Net Position presents the financial position of the School District at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The School District does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter is excluded from the district-wide financial statements.

C. Fund Financial Statements

The accounts of the School District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The School District maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the district-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the district-wide presentation. The School District's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following represents the School District's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Note 1 - Summary of Significant Accounting Policies (Continued)

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned for expenditures for specified purposes other than debt service or capital projects. The major special revenue fund of the School District is as follows -

Special Aid Fund - The Special Aid Fund is used to account for special projects or programs supported in whole or in part with Federal, State or local funds.

The following represents the School District's non-major governmental funds:

Special Revenue Funds:

School Lunch Fund - The School Lunch Fund is used to record the operations of the lunch program of the School District. The major revenues of this fund are food sales.

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the School District in accordance with the terms of a trust agreement.

- b. Fiduciary Funds (Not Included in District-Wide Financial Statements) - Fiduciary Funds are used to account for assets held by the School District in an agency capacity on behalf of others. Among the activities included in the Agency Fund are the student activity funds. The Agency Fund is also utilized to account for payroll tax withholdings that are payable to other jurisdictions.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety day availability period is generally used for revenue recognition for most

Note 1 - Summary of Significant Accounting Policies (Continued)

other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement incentives, net pension liabilities, compensated absences and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Deposits and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2016.

The School District was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Cash - Restricted cash in the Capital Projects Fund consists of deposits held by a financial institution. These funds are to be used for energy performance contract projects.

Property Taxes Receivable - Real property taxes attach as an enforceable lien on real property as of July 1st and are levied and payable in September and January. The Towns of Bedford, Lewisboro, North Salem and Pound Ridge, which are included in the levy, are responsible for the billing and collection of the taxes. The Towns guarantee the full payment of the School District warrant and assumes responsibility for uncollected taxes.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the School District. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the School District has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Advances To/From Other Funds - Advances to/from other funds represent loans to other funds which are not expected to be repaid within the subsequent annual operating cycle. The advances are offset by nonspendable fund balance in the fund financial statements, which indicates that the funds are not "available" for appropriation and are not expendable available financial resources.

Inventories - Inventories in the School Lunch Fund consist of food and supplies and are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at a stated value, which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased. The School District uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$10,000 for buildings and improvements and more than \$1,000 for furniture and have an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not capitalized. Property, plant and equipment of the School District are depreciated using the straight line method over the following estimated useful lives.

Note 1 - Summary of Significant Accounting Policies (Continued)

<u>Class</u>	<u>Life in Years</u>
Buildings and Building Improvements	15-50
Land Improvements	20
Machinery and Equipment	5-20

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

Unearned Revenue - Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In the district-wide financial statements, unearned revenues consist of amounts received in advance and/or revenue from grants received before the eligibility requirements have been met.

Unearned revenues in fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has recorded unearned revenues of \$380,332 in the General Fund for State and Federal aid receivables that do not meet the revenue recognition criteria, \$48,079 in the Special Aid Fund for miscellaneous revenue received in advance and \$54,296 in the School Lunch Fund for advance lunch payments. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District reported deferred outflows of resources of \$377,418 for a deferred loss on refunding bonds in the government-wide Statement of Net Position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The School District also reports deferred outflows of resources and deferred inflows of resources in relation to its pension obligations. These amounts are detailed in the discussion of the School District's pension plans in Note 3E.

Long-Term Liabilities - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported

Note 1 - Summary of Significant Accounting Policies (Continued)

as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation from service. The liability for such accumulated leave is reflected in the district-wide Statement of Net Position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Pension Liability (Asset) - The net pension liability (asset) represents the School District's proportionate share of the net pension liability (asset) of the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions"* and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date"*.

Net Position - Net position represent the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets, restricted for capital projects, tax certiorari, unemployment benefits, debt service, retirement contributions, liability claims, future capital projects, school lunch and special purposes. The balance is classified as unrestricted.

Fund Balance - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law of the State of New York.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making

Note 1 - Summary of Significant Accounting Policies (Continued)

authority. The Board of Education is the highest level of decision making authority for the School District that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board of Education.

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Education or the Assistant Superintendent for Business for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all funds except the General Fund includes all remaining amounts, except for negative balances that are not classified as nonspendable and are neither restricted or committed.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order: committed, assigned, and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (Continued)

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 28, 2016.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The School District generally follows the procedures enumerated below in establishing the budgetary data reflected in the fund financial statements:

- a) At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- b) At the budget hearing, the voters may raise questions concerning the items contained in the budget.
- c) The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- d) The voters are permitted to vote upon the General Fund budget at the annual meeting.
- e) If the original proposed budget is not approved by the voters, the Board of Education has the option of either resubmitting the original or revising the budget for voter approval at a special meeting held at a later date; or the Board of Education may, at that point, adopt a contingency budget. If the Board of Education decides to submit either the original or a revised budget to the voters for a second time, and the voters do not approve the second budget submittal, the Board of Education must adopt a contingency budget and the tax levy cannot exceed the total tax levy of the prior year (0% levy growth). In addition, the administrative component of the contingency budget shall not comprise a greater percentage of the contingency budget exclusive of the capital component than the lesser of either 1) the percentage the administrative component had comprised in the prior year budget exclusive of the capital component; or 2) the percentage the administrative component had comprised in the last proposed defeated budget exclusive of the capital component.
- f) Formal budgetary integration is employed during the year as a management control device for the General and Special Aid funds.
- g) Budgets for the General and Special Aid funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the School Lunch or Special Purpose funds.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- h) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in General and Special Aid funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board of Education.

B. Limitation on Fund Balance

The School District is limited to the amount of committed, assigned and unassigned fund balance, with certain exceptions, that can be retained. New York State law limits this amount to 4% of the ensuing year's budget.

C. Property Tax Limitation

The School District is not limited as to the maximum amount of real property taxes which may be raised. However, on June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This law applies to all local governments, including school districts.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a school district in a particular year. The original legislation that established the Tax Levy Limitation law was set to expire on June 16, 2016. Chapter 20 of the Laws of 2015 extends the Tax Levy Limitation Law through June 2020.

Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of two percent or the annual increase in the consumer price index. Certain adjustments would be permitted as defined by Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation only if the budget is approved by at least 60% of the vote. There are certain exemptions to the tax levy limitation, such as expenditures made on account of certain tort settlements and certain increases in the actuarial contribution rates of the various public employee retirement systems.

D. Individual Capital Project Deficit

The deficit of \$72,835 in the Proposition Number 4 – 2015 project arises because of expenditures exceeding current financing on the project. This deficit will be eliminated with the subsequent receipt or issuance of authorized financing.

Katonah-Lewisboro Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds

A. Due From/To Other Funds, Advances From/To Other Funds

The balances reflected as due from/to other funds and advances from/to other funds at June 30, 2016 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Advances From/To</u>
General	\$ 481,541	\$ -	\$ 255,967
Capital Projects	-	73,015	-
Special Aid	-	408,526	(255,967)
Non-Major Governmental	-	-	-
	<u>\$ 481,541</u>	<u>\$ 481,541</u>	<u>\$ -</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

B. Capital Assets

Changes in the School District's capital assets are as follows:

<u>Class</u>	<u>Balance July 01, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital Assets, not being depreciated				
Land	\$ 4,274,693	\$ -	\$ -	\$ 4,274,693
Construction-in-Progress	7,092,943	2,057,832	5,115,511	4,035,264
Total Capital Assets not being depreciated	<u>\$ 11,367,636</u>	<u>\$ 2,057,832</u>	<u>\$ 5,115,511</u>	<u>\$ 8,309,957</u>
Capital Assets, being depreciated				
Buildings and Building Improvements	\$ 113,288,887	\$ -	\$ -	\$ 113,288,887
Land Improvements	12,554,743	7,454,228	-	20,008,971
Machinery and Equipment	18,662,560	1,127,666	910,240	18,879,986
Total Capital Assets, being depreciated	<u>144,506,190</u>	<u>8,581,894</u>	<u>910,240</u>	<u>152,177,844</u>
Less Accumulated Depreciation for				
Buildings and Building Improvements	54,165,653	3,222,126	-	57,387,779
Land Improvements	4,420,193	557,393	-	4,977,586
Machinery and Equipment	12,549,035	882,219	910,240	12,521,014
Total Accumulated Depreciation	<u>71,134,881</u>	<u>4,661,738</u>	<u>910,240</u>	<u>74,886,379</u>
Total Capital Assets, being depreciated, net	<u>\$ 73,371,309</u>	<u>\$ 3,920,156</u>	<u>\$ -</u>	<u>\$ 77,291,465</u>
Capital Assets, net	<u>\$ 84,738,945</u>	<u>\$ 5,977,988</u>	<u>\$ 5,115,511</u>	<u>\$ 85,601,422</u>

Katonah-Lewisboro Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

Depreciation expense was charged to School District functions and programs as follows:

General Support	\$ 3,710,863
Instruction	358,130
Pupil Transportation	542,717
Cost of Food Sales	<u>50,028</u>
Total Depreciation Expense	<u>\$ 4,661,738</u>

C. Accrued Liabilities

Accrued liabilities at June 30, 2016 were as follows:

	General Fund
Payroll and employee benefits	<u>\$ 506,334</u>

D. Short-Term Capital Borrowings - Bond Anticipation Notes

The schedule below details the changes in short-term capital borrowings.

Purpose	Year of Original Issue	Balance July 1, 2015	Redemptions	Balance June 30, 2016
Bus and Vehicle Purchases	2012	\$ 490,000	\$ 490,000	\$ -
Bus and Vehicle Purchases	2014	1,277,600	1,277,600	-
		<u>\$ 1,767,600</u>	<u>\$ 1,767,600</u>	<u>\$ -</u>

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Bond anticipation notes issued for judgments or settled claims are recorded in the fund paying the claim. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes or judgments be converted to long-term obligations generally within five years after the original issue date. However, bond anticipation notes issued for assessable improvements projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Interest expenditures of \$17,587 were recorded in the fund financial statements in the General Fund. Interest expense of \$402 was recorded in the government-wide financial statements for governmental activities.

The above bond anticipation notes were paid on June 27, 2016 in advance of the due date of July 8, 2016. The note is considered extinguished pursuant to GASB guidance.

Katonah-Lewisboro Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)**E. Long-Term Liabilities**

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2016:

	Balance July 01, 2015	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2016	Due Within One-Year
Bonds Payable	\$ 19,225,000	\$ 8,910,000	\$ 14,120,000	\$ 14,015,000	\$ 1,535,000
Plus - Unamortized premium on bonds	334,651	1,185,966	207,089	1,313,528	-
	19,559,651	10,095,966	14,327,089	15,328,528	1,535,000
Energy Performance Contract Debt	7,454,228	-	256,846	7,197,382	357,961
Retirement Incentive Payable	88,968	-	88,968	-	-
Compensated Absences	2,861,002	350,149	286,000	2,925,151	293,000
Net Pension Liability	1,392,070	5,167,698	-	6,559,768	-
Other Post Employment Benefit Obligations Payable	81,142,681	18,575,713	5,701,604	94,016,790	-
Total Long-Term Liabilities	<u>\$ 112,498,600</u>	<u>\$ 34,189,526</u>	<u>\$ 20,660,507</u>	<u>\$ 126,027,619</u>	<u>\$ 2,185,961</u>

Each governmental fund's liability for bonds, energy performance contract debt, compensated absences, net pension liabilities and other post employment benefit obligations is liquidated by the General Fund.

Bonds Payable

Bonds payable at June 30, 2016 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2016
Refunding Bonds	2012	\$ 6,295,000	November, 2023	2.00 - 3.000 %	5,105,000
Refunding Bonds - Series A	2016	7,370,000	November, 2023	4.00 - 5.000	7,370,000
Refunding Bonds - Series B	2016	1,540,000	November, 2023	3.000	1,540,000
					<u>\$ 14,015,000</u>

Interest expenditures of \$487,100 were recorded in the fund financial statements in the General Fund. Interest expense of \$433,945 was recorded in the district-wide financial statements.

Note 3 - Detailed Notes on All Funds (Continued)

Advanced Refunding

During the 2015-2016 fiscal year, the School District issued \$8,910,000 in refunding serial bonds with interest rates ranging from 3.0%-5.0%, depending on maturity. The proceeds were used to advance refund \$9,805,000 of outstanding 2005 series A and B serial bonds bearing interest at rates ranging from 3.5%-4.5%. The net proceeds of \$9,971,389 (including \$1,185,966 of issuance premium and after \$124,577 in underwriting fees and other issuance costs) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2005 series A & B bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying value of the old debt by \$166,389. This amount and the premium are being amortized over the life of the refunded debt. The School District advanced refunded the 2005 series A and B bonds to reduce its total debt service payments over 8 years by \$1,074,434 and to obtain an net interest value economic gain of \$1,032,600. As a June 30, 2016, the refunded bonds have been called and are no longer outstanding.

Retirement Incentive Payable

The Board of Education opted into Part A of the 2010 Retirement Incentive Program offered by TRS. This program provides eligible employees one month of additional service credit for each year of service up to 36 years. Participating employers were not required to eliminate vacated positions provided they could demonstrate, over a two year period, savings of at least one-half of the base salary of the retiring employee. The estimated cost of the program will be approximately 60% of the employee's final average salary. The School District has elected to pay this obligation over a five year period, with interest at 8%. The current year cost of the program was \$95,480, including interest of \$6,512 and was charged to the General Fund. The balance was satisfied as of June 30, 2016.

Energy Performance Contract Debt Payable

The School District, in November 2014, entered into a \$7,454,228 contractual agreement to install energy savings equipment and/or to upgrade existing facilities to enhance performance. The terms of the contract provide for repayment over eighteen years, with semi-annual installments of \$267,159 through November 2032. Payments include interest ranging from 2.3736% to 3.44%. The contract further provides that the savings in energy costs resulting from this modernization will equal or exceed the lease payment terms. The balance due at June 30, 2016 was \$7,197,382.

Interest expenditures of \$277,472 were recorded in the fund financial statements in the General Fund. Interest expense of \$174,786 was recorded in the district-wide financial statements.

Katonah-Lewisboro Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)**Payments to Maturity**

The annual requirements to amortize all outstanding bonded and capital lease debt as of June 30, 2016 including interest payments of \$3,707,387 are as follows:

Year Ending June 30,	Bonds		Energy Performance Contract		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,535,000	\$ 490,963	\$ 357,961	\$ 176,357	\$ 1,892,961	\$ 667,320
2018	1,605,000	427,863	366,868	167,451	1,971,868	595,314
2019	1,650,000	362,338	375,999	158,319	2,025,999	520,657
2020	1,725,000	294,213	385,361	148,957	2,110,361	443,170
2021	1,770,000	226,813	394,961	139,357	2,164,961	366,170
2022-2026	5,730,000	286,331	2,127,524	544,066	7,857,524	830,397
2027-2031	-	-	2,406,768	264,822	2,406,768	264,822
2032-2033	-	-	781,940	19,537	781,940	19,537
	<u>\$ 14,015,000</u>	<u>\$ 2,088,521</u>	<u>\$ 7,197,382</u>	<u>\$ 1,618,866</u>	<u>\$ 21,212,382</u>	<u>\$ 3,707,387</u>

The above general obligation bonds, energy performance contract debt and retirement incentives are direct obligations of the School District for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the School District.

Compensated Absences

Civil service employees may accumulate an unlimited number of days for sick and personal leave. Upon retirement, those employees with at least five years of service with the District will be paid an allowance computed at .5 times the number of accumulated leave days (in hours) multiplied by the employee's current hourly rate. The maximum number of days of accumulated leave that may be applied to the formula is the hourly equivalent of 400 days. Retiring teachers, hired prior to July 1, 1995, and administrators, appointed prior to June 1, 1994, who, at the time of retirement, have completed one semester following their tenure appointment, will be paid an allowance computed at .5 times the number of days of accumulated leave times 1/200th of his/her annual salary. Teachers working less than a "Full Time Equivalent" (FTE) will receive payment in proportion to their FTE. The maximum number of days of accumulated leave that may be applied to the formula is 400. Teachers commencing their employment after July 1, 1995, and administrators, appointed after June 1, 1994, are no longer able to accumulate leave for the purpose of payment at retirement.

Vacation leave is generally taken within the year earned. However, certain 12-month civil service employees and administrators, upon separation of service from the District, will be compensated for unused vacation time up to a maximum of 23 days.

Pension Plans*Employees' Retirement System*

The School District participates in the New York State and Local Employees' Retirement System ("ERS"). This is a cost-sharing, multiple-employer defined benefit pension plan. ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves

Note 3 - Detailed Notes on All Funds (Continued)

as the trustee of the Fund and is the administrative head of the ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The ERS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2016 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>	
1 75I	25.2	%
2 75I	23.2	
3 A15	18.9	
4 A15	18.9	
5 A15	15.6	
6 A15	10.6	

At June 30, 2016, the School District reported a liability of \$6,559,768 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. At March 31, 2016, the School District's proportion was .0408701%, which was a decrease of .0003368% from its proportion measured as of March 31, 2015.

For the year ended June 30, 2016, the School District recognized pension expense/expenditures of \$2,412,704 and \$1,879,180, respectively. The pension expenditures of \$1,862,669 and \$16,511 were charged to the General Fund and Special Aid Fund, respectively. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

Katonah-Lewisboro Union Free School District, New York

Notes to Financial Statements (Continued)
 June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 33,148	\$ 777,551
Changes of assumptions	1,749,292	-
Net difference between projected and actual earnings on pension plan investments	3,891,615	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	270,054	7,230
School District contributions subsequent to the measurement date	<u>476,065</u>	<u>-</u>
	<u><u>\$ 6,420,174</u></u>	<u><u>\$ 784,781</u></u>

\$476,065 reported as deferred outflows of resources related to ERS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

<u>Year Ended March 31,</u>	
2017	\$ 1,311,124
2018	1,311,124
2019	1,311,124
2020	1,225,956

The total pension liability for the March 31, 2016 measurement date was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The total pension liability for the March 31, 2015 measurement date was determined by using an actuarial valuation as of April 1, 2014. Significant actuarial assumptions used in the April 1, 2015 valuation were as follows:

Actuarial cost method	Entry age normal
Inflation	2.5%
Salary scale	3.8%, indexed by service
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation
Cost of living adjustments	1.3% annually

Annuitant mortality rates are based on the April 1, 2010 - March 31, 2015 ERS's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

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.

Katonah-Lewisboro Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

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

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38 %	7.30 %
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return Strategies	3	6.75
Opportunistic Portfolio	3	8.60
Real Assets	3	8.65
Bonds and Mortgages	18	4.00
Cash	2	2.25
Inflation Indexed Bonds	2	4.00
	<u>100 %</u>	

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

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

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 14,791,800</u>	<u>\$ 6,559,768</u>	<u>\$ (395,948)</u>

Katonah-Lewisboro Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

The components of the collective net pension liability of ERS as of the March 31, 2015 measurement date were as follows:

Total pension liability	\$ 172,303,544,000
ERS fiduciary net position	<u>156,253,265,000</u>
Employers' net pension liability	<u>\$ 16,050,279,000</u>
ERS fiduciary net position as a percentage of total pension liability	<u>90.7%</u>

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is 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 employers' contribution rate, by tier. Accrued retirement contributions to ERS as of June 30, 2016 were \$476,065.

Teachers' Retirement System

The School District participates in the New York State Teachers' Retirement System ("TRS"). This is a cost-sharing, multiple-employer defined benefit pension plan. TRS provides retirement benefits as well as death and disability benefits. The TRS is governed by a ten member Board of Trustees, which sets policy and oversees operations consistent with its fiduciary obligations under applicable law. Obligations of employers and employees to contribute and benefits to employees are governed by the Education Law of the State of New York. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The TRS issues a stand-alone financial report which may be found at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

The TRS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% depending on salary levels for their entire length of service. Pursuant to Article 11 of the Education Law of the State of New York, actuarially determined employer contributions are established annually for the TRS by its Board of Trustees. The employer contribution rate for the plan's year ending in 2016 was 13.26%.

At June 30, 2016, the School District reported an asset of \$29,833,244 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The School District's proportion of the net pension asset was based on the School District's contributions to the pension plan relative to the contributions of all participating members. At June 30, 2015, the School District's proportion was .212542%, which was a decrease of .083582% from its proportion measured as of June 30, 2014.

Katonah-Lewisboro Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

For the year ended June 30, 2016, the School District recognized pension expense/expenditure of \$(1,741,102) and \$5,742,653 respectively. Pension expenditures of \$5,824,713 was charged to the General Fund and \$13,420 was charged to the Special Aid Fund. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 826,807
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	9,430,444
Changes in proportion and differences between School District contributions and proportionate share of contributions	323,526	-
School District contributions subsequent to the measurement date	5,796,540	-
	<u>\$ 6,120,066</u>	<u>\$ 10,257,251</u>

\$5,796,540 reported as deferred outflows of resources related to TRS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TRS will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (3,765,134)
2017	(3,765,134)
2018	(3,765,134)
2019	1,606,858
2020	(64,525)
Thereafter	(180,656)

The total pension liability for the June 30, 2015 measurement date was determined by using an actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension liability to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by using an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. These actuarial valuations used the following actuarial assumptions:

Katonah-Lewisboro Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

Inflation 3.0%
 Projected salary increases Rates of increase differ based on age and gender. They have been calculated based upon recent TRS member experience.

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

Projected COLAs 1.625% compounded annually
 Investment rate of return 8.0% compounded annually, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2014 and 2013 valuations were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice ("ASOP") No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of the valuation dates of June 30, 2014 and 2013 are summarized in the following table:

Asset Class:	Target Allocation		Long-Term Expected Real Rate of Return*	
	2014	2013	2014	2013
Equities:				
Domestic equities	37 %	37 %	6.5 %	7.3 %
International equities	18	18	7.7	8.5
Real estate	10	10	4.6	5.0
Alternative investments	7	7	9.9	11.0
Total Equities	72	72		
Fixed Income:				
Domestic fixed income securities	17	18	2.1	1.5
Global fixed income securities	2	2	1.9	1.4
Mortgages	8	8	3.4	3.4
Short-term	1	-	1.2	0.8
Total Fixed Income	28	28		
Total	100 %	100 %		

* Real rates of return are net of the long-term inflation assumption of 2.3% for 2014 and 2013.

Katonah-Lewisboro Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

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

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

	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
School District's proportionate share of the net pension liability (asset)	<u>\$ 2,035,012</u>	<u>\$ (29,833,244)</u>	<u>\$ (57,010,174)</u>

The components of the collective net pension asset of TRS as of the June 30, 2015 measurement date were as follows:

Total pension liability	\$ 99,332,103,743
TRS fiduciary net position	<u>109,718,916,659</u>
Employers' net pension asset	<u>\$ 10,386,812,916</u>
TRS fiduciary net position as a percentage of total pension liability	<u>110.46%</u>

Employer and employee contributions for the year ended June 30, 2016 are paid to TRS in the following fiscal year through a state aid intercept or, if state aid is insufficient, through a payment by the School District to TRS. 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 employers' contribution rate plus employee contributions for the fiscal year as reported to TRS. Accrued retirement contributions to TRS as of June 30, 2016 were \$5,796,540.

Voluntary Defined Contribution Plan

The School District also offers a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the School District will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in this program.

Note 3 - Detailed Notes on All Funds (Continued)

Other Post Employment Benefit Obligations Payable

In addition to providing pension benefits, the District provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the District may vary according to length of service. The cost of providing post employment health care benefits is shared between the District and the retired employee. Substantially all of the District's employees may become eligible for those benefits if they reach normal retirement age while working for the District. The cost of retiree health care benefits is recognized as expenditure as claims are paid in the fund financial statements.

The District's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. 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 over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The District is required to accrue on the government-wide financial statements the amounts necessary to finance the Plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in postretirement benefits are as follows:

<u>Year Ended June 30,</u>	<u>Pre- 65 Medical</u>	<u>Post- 65 Medical</u>	<u>Prescription Drug</u>
2015	7.75 %	6.75 %	8.50 %

The ultimate trend rate is 3.886% and is reached in 2075.

The amortization basis is the level dollar method with an open amortization approach with 23 years remaining in the amortization period. The actuarial assumptions included a 5.0% investment rate of return and a 2.25% inflation rate. The District currently has no assets set aside for the purpose of paying postemployment benefits. The actuarial cost method utilized was the projected unit credit cost method.

Katonah-Lewisboro Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

The number of participants as of June 30, 2016 was as follows:

Active Employees	553
Retired Employees	421
	<u>974</u>

Amortization Component:	
Actuarial Accrued Liability as of July 1, 2015	\$ 188,457,106
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 188,457,106</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (active plan members)	<u>\$ 57,761,968</u>
UAAL as a Percentage of Covered Payroll	<u>326.27%</u>
Annual Required Contribution	\$ 19,797,027
Interest on Net OPEB Obligation	4,057,134
Adjustment to Annual Required Contribution	<u>(5,278,448)</u>
Annual OPEB Cost	18,575,713
Contributions Made	<u>(5,701,604)</u>
Increase in Net OPEB Obligation	12,874,109
Net OPEB Obligation - Beginning of year	<u>81,142,681</u>
Net OPEB Obligation - End of year	<u>\$ 94,016,790</u>

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

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 18,575,713	30.69 %	\$ 94,016,790
2015	17,709,964	31.37	81,142,681
2014	15,294,298	34.08	68,988,133

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

Note 3 - Detailed Notes on All Funds (Continued)**G. Revenues and Expenditures****Interfund Transfers**

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without equivalent flows of assets in return. The interfund transfers reflected below have been reported as transfers.

Transfers Out	Transfers in			Total
	General Fund	Capital Projects Fund	Special Aid Fund	
General Fund	\$ -	\$ 3,062,600	\$ 134,980	\$ 3,197,580
Capital Projects Fund	7,103	-	-	7,103
	<u>\$ 7,103</u>	<u>\$ 3,062,600</u>	<u>\$ 134,980</u>	<u>\$ 3,204,683</u>

Transfers are used to move amounts earmarked in the General Fund to fulfill commitments for Capital Projects Fund and Special Aid Fund expenditures and move available amounts from completed capital projects back to the General Fund.

H. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Capital Projects - the component of net position that reports the amounts restricted for capital projects, exclusive of unexpended bond proceeds and unrestricted interest earnings.

Restricted for Tax Certiorari - the component of net position that has been established in accordance with Education Law to provide funding for court ordered tax refunds which are currently in process.

Restricted for Unemployment Benefits - the component of net position that has been established to set aside funds to be used for a specific purpose in accordance with Section 6m of the General Municipal Law of the State of New York.

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by Local Finance Law.

Restricted for Retirement Contributions - the component of net position that reports the amounts set aside to be used for retirement costs in accordance with Section 6-r of General Municipal Law.

Note 3 - Detailed Notes on All Funds (Continued)

Restricted for Liability Claims - the component of net position that reports the amounts set aside to be used for liability claims in accordance with Education Law.

Restricted for Future Capital Projects - the component of net position that has been established pursuant to General Municipal Law to set aside funds to be used for future capital projects.

Restricted for School Lunch - the component of net position that reports the amounts restricted for School Lunch Fund operations.

Restricted for Special Purposes - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by either external parties and/or statute.

Unrestricted - all other amounts that does not meet the definition of "restricted" or "net investment in capital assets".

Katonah-Lewisboro Union Free School District, New York

Notes to Financial Statements (Continued) June 30, 2016

Note 3 - Detailed Notes on All Funds (Continued)

I. Fund Balances

	2016				2015					
	General Fund	Capital Projects Fund	Special Aid Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Special Aid Fund	Non-Major Governmental Funds	Total
Nonspendable										
Inventories	\$ -	\$ -	\$ -	\$ 13,804	\$ 13,804	\$ -	\$ -	\$ -	\$ 6,396	\$ 6,396
Long term receivable	-	-	255,967	-	255,967	-	-	306,329	-	306,329
Advances	255,967	-	-	-	255,967	306,329	-	-	-	306,329
Total Nonspendable	255,967	-	255,967	13,804	525,738	306,329	-	306,329	6,396	619,054
Restricted										
Capital projects	-	1,426,791	-	-	1,426,791	-	3,522,990	-	-	3,522,990
Tax certiorari	2,280,200	-	-	-	2,280,200	1,920,000	-	-	-	1,920,000
Unemployment benefits	351,020	-	-	-	351,020	350,000	-	-	-	350,000
Debt service	131,293	-	-	-	131,293	130,900	-	-	-	130,900
Employee benefit accrued liability	1,403,735	-	-	-	1,403,735	1,400,000	-	-	-	1,400,000
Retirement contributions	2,516,480	-	-	-	2,516,480	2,510,000	-	-	-	2,510,000
Liability claims	680,660	-	-	-	680,660	718,000	-	-	-	718,000
Future capital projects	300,230	-	-	-	300,230	100,000	-	-	-	100,000
Special purposes	-	-	-	104,691	104,691	-	-	-	112,563	112,563
Total Restricted	7,663,618	1,426,791	-	104,691	9,195,100	7,128,900	3,522,990	-	112,563	10,764,453
Assigned										
Purchases on order	429,406	-	-	-	429,406	176,184	-	-	-	176,184
General government support	75,860	-	-	-	75,860	46,257	-	-	-	46,257
Instruction	-	-	-	-	-	-	-	-	-	-
Subsequent year's expenditures	505,266	-	-	-	505,266	222,441	-	-	-	222,441
Fund balance	1,950,000	-	-	-	1,950,000	2,200,000	-	-	-	2,200,000
Unemployment insurance	75,000	-	-	-	75,000	75,000	-	-	-	75,000
Employee benefits accrued liability	385,000	-	-	-	385,000	385,000	-	-	-	385,000
Retirement contributions	790,000	-	-	-	790,000	790,000	-	-	-	790,000
School Lunch Fund	3,200,000	-	-	-	3,200,000	3,450,000	-	-	-	3,450,000
Total Assigned	-	-	-	374,005	374,005	-	-	-	442,270	442,270
Unassigned	3,705,266	-	-	374,005	4,079,271	3,672,441	-	-	442,270	4,114,711
	4,012,694	-	(255,967)	-	3,756,727	4,347,666	-	(306,329)	-	4,041,337
Total Fund Balances	\$ 15,637,545	\$ 1,426,791	\$ -	\$ 492,500	\$ 17,556,836	\$ 15,455,336	\$ 3,522,990	\$ -	\$ 561,229	\$ 19,539,555

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. Those additional elements, which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet are described below.

Inventories in the School Lunch Fund have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditure because the asset is in the form of commodities and the School District anticipates utilizing them in the normal course of operations.

Long term receivables have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditure because the asset is in the form of amounts that will not be collected within one year.

Advances have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditure because the asset is in the form of amounts advanced to the Special Aid Fund that will not be repaid within one year.

Employee Benefit Accrued Liability - the component of fund balance that has been restricted pursuant to General Municipal Law to provide funds for the payment of unused sick time and other forms of payment for accrued leave time granted upon termination or separation from service.

Purchases on order are assigned and represent the School District's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Subsequent year's expenditures represent that at June 30, 2016, the Board of Education has assigned the above amounts to be appropriated for the ensuing year's budget.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or assigned. Unassigned fund balance in the Special Aid Fund represent the deficit balance in the fund.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

The School District is a defendant in actions in which, on occasion, parents seek reimbursement for tuition paid by them to private schools where they have unilaterally placed (enrolled) their children. If the parents' were successful in the claim, they could receive reimbursement for both tuition and attorney's fees. The School District rigorously contests any liability for these claims, as it feels: a) it had provided an appropriate placement for the children at issue; and b) the parents' unilateral placement are not consistent with the Individuals with Educational Disabilities Act. As mentioned above the District is contesting that any and all cases should be dismissed however it is not possible to express an opinion on the outcome of these matters.

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

B. Contingencies

The School District participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Single Audit Act. Accordingly, the School District's compliance with applicable grant requirements may be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

The School District is subject to audits of State aid by the New York State Education Department. The amount of aid previously paid to the School District which may be disallowed cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

C. Risk Management

The School District and other school districts have formed a reciprocal insurance company to be owned by these districts. This Company operates under an agreement effective July 1, 1989. The purpose of the Company is to provide general liability, school board legal liability, auto liability and auto physical damage coverage, excess insurance, equipment floaters, boilers and machinery insurance and all risk building and contents. In addition, as part of the reciprocal program, crime and bond coverages will be purchased from commercial carriers and be available to the subscriber districts. The Company retains a management company, which is responsible for the overall supervision and management of the reciprocal. The reciprocal is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts. The subscribers have elected those who sit on the board and each subscriber has a single vote. The Company is an "assessable" insurance company, in that, the subscribers are severally liable for any financial shortfall of the Company and can be assessed their proportionate share by the State Insurance Department if the funds of the Company are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimal capital contribution. The School District purchases various insurance coverages from the Company to reduce its exposure to loss. The School District maintains general liability insurance coverage with policy limits of \$1 million and an umbrella policy which provides coverage up to \$25 million. The School District also maintains liability for school board members with policy limits of \$1 million and public employee dishonesty with policy limits for \$5 million. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District and neighboring school districts in Northern Westchester and Putnam Counties participate in the Westchester-Putnam Schools Cooperative Self-Insurance Plan for Workers' Compensation. The Plan operates under an agreement, as amended, dated February 6, 1987. The purposes of the Plan are to provide for the efficient and economical evaluation, processing, administration, defense and payment of claims against Plan members for workers' compensation payments. The Board of Trustees of the Plan consists of five Trustees selected by the Plan members. Each Trustee shall have one vote and no action may be taken except by a majority of the total membership of Trustees. Billings to each participant are based upon the cost incurred for workers' compensation. The School District has transferred all related risk to the Plan.

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Katonah-Lewisboro Union Free School District, New York

Required Supplementary Information
Schedule of Funding Progress
Other Post Employment Benefits
Last Three Fiscal Years

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2015	\$ -	\$ 188,457,106	\$ 188,457,106	- %	\$ 57,761,968	326.27 %
July 1, 2014	-	177,853,802	177,853,802	-	57,577,437	308.89
July 1, 2013	-	169,202,600	169,202,600	-	58,378,044	289.84

Katonah-Lewisboro Union Free School District, New York

Required Supplementary Information - Schedule of the
School District's Proportionate Share of the Net Pension Liability
New York State Teachers' Retirement System
Last Ten Fiscal Years (1)

	2016	2015
School District's proportion of the net pension liability (asset)	<u>0.212542%</u>	<u>0.296124%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ (29,833,244)</u>	<u>\$ (32,986,360)</u>
School District's covered-employee payroll	<u>\$ 43,144,687</u>	<u>\$ 43,742,116</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>(69.15)%</u>	<u>(75.41)%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>110.46%</u>	<u>111.48%</u>

Note - The amounts presented for each fiscal year were determined as of the June 30 measurement date of the prior fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Katonah-Lewisboro Union Free School District, New York**Required Supplementary Information - Schedule of Contributions
New York State Teachers' Retirement System
Last Ten Fiscal Years (1)**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,796,540	\$ 7,563,264
Contributions in relation to the contractually required contribution	<u>(5,796,540)</u>	<u>(7,563,264)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	<u>\$ 43,714,478</u>	<u>\$ 43,144,687</u>
Contributions as a percentage of covered-employee payroll	<u>13.26%</u>	<u>17.53%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Katonah-Lewisboro Union Free School District, New York**Required Supplementary Information - Schedule of the
School District's Proportionate Share of the Net Pension Liability
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)**

	2016 (2)	2015
School District's proportion of the net pension liability (asset)	<u>0.0408701%</u>	<u>0.0412069%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ (6,559,768)</u>	<u>\$ (1,392,070)</u>
School District's covered-employee payroll	<u>\$ 12,176,687</u>	<u>\$ 11,579,306</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>(53.87)%</u>	<u>(12.02)%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>90.7%</u>	<u>97.9%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

Katonah-Lewisboro Union Free School District, New York**Required Supplementary Information - Schedule of Contributions
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,061,316	\$ 2,087,033
Contributions in relation to the contractually required contribution	<u>(2,061,316)</u>	<u>(2,087,033)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	<u>\$ 12,419,002</u>	<u>\$ 11,761,715</u>
Contributions as a percentage of covered-employee payroll	<u>16.60%</u>	<u>17.74%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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Katonah-Lewisboro Union Free School District, New York

General Fund
Comparative Balance Sheet
June 30,

	2016	2015
ASSETS		
Cash and equivalents	<u>\$ 21,300,085</u>	<u>\$ 24,161,361</u>
Receivables		
Accounts	71,368	66,915
State and Federal aid	496,754	513,083
Due from other governments	1,141,156	1,796,121
Due from other funds	481,541	665,111
Advances to other funds	<u>255,967</u>	<u>306,329</u>
	<u>2,446,786</u>	<u>3,347,559</u>
Total Assets	<u><u>\$ 23,746,871</u></u>	<u><u>\$ 27,508,920</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 516,429	\$ 1,151,297
Accrued liabilities	506,334	903,364
Due to other governments	169,641	68,320
Due to other funds	-	1,025,033
Due to retirement systems	6,536,590	8,538,451
Unearned revenues	<u>380,332</u>	<u>367,119</u>
Total Liabilities	<u>8,109,326</u>	<u>12,053,584</u>
Fund balance		
Nonspendable	255,967	306,329
Restricted	7,663,618	7,128,900
Assigned	3,705,266	3,672,441
Unassigned	<u>4,012,694</u>	<u>4,347,666</u>
Total Fund Balance	<u>15,637,545</u>	<u>15,455,336</u>
Total Liabilities and Fund Balance	<u><u>\$ 23,746,871</u></u>	<u><u>\$ 27,508,920</u></u>

Katonah-Lewisboro Union Free School District, New York

General Fund
Comparative Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Years Ended June 30,

	2016				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
REVENUES					
Real property taxes	\$ 87,180,188	\$ 87,180,188	\$ 87,166,948	\$	\$ (13,240)
Other tax items	8,724,507	8,724,507	8,724,507		-
Non-property taxes	943,810	943,810	958,657		14,847
Charges for services	245,000	245,000	422,984		177,984
Use of money and property	105,058	105,058	93,536		(11,522)
Sale of property and compensation for loss	-	-	15,667		15,667
State aid	7,888,157	7,888,157	7,640,992		(247,165)
Miscellaneous	180,000	200,271	583,003		382,732
Total Revenues	105,266,720	105,286,991	105,606,294		319,303
EXPENDITURES					
Current					
General support					
Board of education	165,488	188,570	179,708	-	8,862
Central administration	434,103	418,371	394,662	8,114	15,595
Finance	1,048,725	1,094,288	1,018,799	37,148	38,341
Staff	1,212,383	1,167,624	833,217	4,000	330,407
Central services	7,520,833	7,504,806	6,834,109	380,144	290,553
Special items	843,715	865,269	818,484	-	46,785
Total General Support	11,225,247	11,238,928	10,078,979	429,406	730,543
Instruction					
Instruction, administration and improvement	5,254,191	5,237,237	5,069,025	-	168,212
Teaching - Regular school	30,067,987	28,968,470	28,444,809	29,764	493,897
Programs for children with handicapping conditions	11,694,664	11,656,680	11,221,425	-	435,255
Occupational education	439,312	439,312	438,302	-	1,010
Teaching - Special schools	5,000	5,000	4,170	-	830
Instructional media	3,348,168	3,471,638	3,218,670	36,618	216,350
Pupil services	5,642,565	5,634,226	5,454,246	9,478	170,502
Total Instruction	56,451,887	55,412,563	53,850,647	75,860	1,486,056
Pupil transportation	4,827,264	4,596,986	4,279,519	-	317,467
Community services	14,000	18,500	15,127	-	3,373
Employee benefits	29,857,444	29,217,993	28,757,154	-	460,839
Debt service					
Principal	4,571,848	4,571,848	4,571,846	-	2
Interest	907,071	782,170	782,159	-	11
Refunding bond issuance costs	-	124,577	124,577	-	-
Total Expenditures	107,854,761	105,963,565	102,460,008	505,266	2,998,291
Excess (Deficiency) of Revenues Over Expenditures	(2,588,041)	(676,574)	3,146,286	(505,266)	3,317,594
OTHER FINANCING SOURCES (USES)					
Issuance premium	-	1,185,966	1,185,966	-	-
Refunding bonds issued	-	8,910,000	8,910,000	-	-
Insurance recoveries	15,000	15,000	101,823	-	86,823
Payment to refunded bond escrow agent	-	(9,971,389)	(9,971,389)	-	-
Transfers in	-	-	7,103	-	7,103
Transfers out	(1,099,400)	(3,197,600)	(3,197,580)	-	20
Total Other Financing Uses	(1,084,400)	(3,058,023)	(2,964,077)	-	93,946
Net Change in Fund Balance	(3,672,441)	(3,734,597)	182,209	\$ (505,266)	\$ 3,411,540
FUND BALANCE					
Beginning of Year	3,672,441	3,734,597	15,455,336		
End of Year	\$ -	\$ -	\$ 15,637,545		

2015				
Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
\$ 98,960,110	\$ 90,493,688	\$ 90,484,611	\$	\$ (9,077)
-	8,466,422	8,461,390		(5,032)
908,000	908,000	941,742		33,742
210,000	210,000	325,651		115,651
188,800	188,800	105,377		(83,423)
-	-	20,090		20,090
7,225,922	7,225,922	7,464,219		238,297
205,000	226,897	585,313		358,416
<u>107,697,832</u>	<u>107,719,729</u>	<u>108,388,393</u>		<u>668,664</u>
161,528	194,787	176,969	-	17,818
416,264	415,570	397,059	-	18,511
1,063,280	1,109,368	1,059,219	38,235	11,914
1,056,224	1,040,416	912,503	9,890	118,023
7,692,222	7,722,056	7,187,584	128,059	406,413
880,013	946,451	883,813	-	62,638
<u>11,269,531</u>	<u>11,428,648</u>	<u>10,617,147</u>	<u>176,184</u>	<u>635,317</u>
5,308,967	5,327,344	5,045,695	9,000	272,649
30,753,895	29,823,220	29,050,588	19,326	753,306
11,288,240	11,464,750	11,260,863	6,234	197,653
467,141	472,641	472,641	-	-
6,388	6,388	-	-	6,388
3,456,399	3,541,249	3,363,156	-	178,093
5,353,210	5,413,470	5,233,801	11,697	167,972
<u>56,634,240</u>	<u>56,049,062</u>	<u>54,426,744</u>	<u>46,257</u>	<u>1,576,061</u>
5,187,988	5,338,469	4,832,583	-	505,886
15,000	21,500	18,432	-	3,068
31,285,201	31,072,027	30,042,673	-	1,029,354
5,165,000	5,165,000	5,165,000	-	-
855,295	855,295	855,294	-	1
-	-	-	-	-
<u>110,412,255</u>	<u>109,930,001</u>	<u>105,957,873</u>	<u>222,441</u>	<u>3,749,687</u>
<u>(2,714,423)</u>	<u>(2,210,272)</u>	<u>2,430,520</u>	<u>(222,441)</u>	<u>4,418,351</u>
-	-	-	-	-
-	-	-	-	-
15,000	152,649	167,090	-	14,441
-	-	-	-	-
-	-	535	-	535
<u>(1,294,400)</u>	<u>(2,121,900)</u>	<u>(2,119,014)</u>	<u>-</u>	<u>2,886</u>
<u>(1,279,400)</u>	<u>(1,969,251)</u>	<u>(1,951,389)</u>	<u>-</u>	<u>17,862</u>
<u>(3,993,823)</u>	<u>(4,179,523)</u>	<u>479,131</u>	<u>\$ (222,441)</u>	<u>\$ 4,436,213</u>
<u>3,993,823</u>	<u>4,179,523</u>	<u>14,976,205</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,455,336</u>		

Katonah-Lewisboro Union Free School District, New York

General Fund

**Schedule of Revenues and Other Financing Sources Compared to Budget
Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	\$ 87,180,188	\$ 87,180,188	\$ 87,166,948	\$ (13,240)
OTHER TAX ITEMS	8,724,507	8,724,507	8,724,507	-
School tax relief reimbursement				
NON-PROPERTY TAXES	943,810	943,810	958,657	14,847
Non-property tax distribution from County				
CHARGES FOR SERVICES	30,000	30,000	192,315	162,315
Continuing education tuition	5,000	5,000	13,795	8,795
Other student fees and charges	210,000	210,000	216,874	6,874
Health services for other districts				
USE OF MONEY AND PROPERTY	245,000	245,000	422,984	177,984
Earnings on investments	92,150	92,150	79,548	(12,602)
Rental of real property	12,908	12,908	13,988	1,080
	105,058	105,058	93,536	(11,522)
SALE OF PROPERTY AND COMPENSATION FOR LOSS	-	-	15,667	15,667
Sale of equipment				

STATE AID				
Basic formula	5,474,690	5,474,690	5,311,321	(163,369)
BOCES	2,133,215	2,133,215	1,851,986	(281,229)
Lottery aid	-	-	193,689	193,689
Textbook aid	202,594	202,594	201,895	(699)
Computer software aid	54,796	54,796	55,501	705
Library aid	22,862	22,862	17,885	(4,977)
Disaster aid	-	-	8,715	8,715
	<u>7,888,157</u>	<u>7,888,157</u>	<u>7,640,992</u>	<u>(247,165)</u>
MISCELLANEOUS				
Gifts and donations	-	20,271	20,271	-
Other	5,000	5,000	22,654	17,654
Refund for BOCES aided services	125,000	125,000	205,714	80,714
Refund of prior year's expenditures - unused flexible spending	-	-	111,736	111,736
Refund of prior year's expenditures	50,000	50,000	222,628	172,628
	<u>180,000</u>	<u>200,271</u>	<u>583,003</u>	<u>382,732</u>
TOTAL REVENUES	<u>105,266,720</u>	<u>105,286,991</u>	<u>105,606,294</u>	<u>319,303</u>
OTHER FINANCING SOURCES				
Issuance premium	-	1,185,966	1,185,966	-
Refunding bonds issued	-	8,910,000	8,910,000	-
Insurance recoveries	15,000	15,000	101,823	86,823
Transfers in	-	-	7,103	7,103
Capital Projects Fund	-	-	-	-
	<u>15,000</u>	<u>10,110,966</u>	<u>10,204,892</u>	<u>93,926</u>
TOTAL OTHER FINANCING SOURCES	<u>15,000</u>	<u>10,110,966</u>	<u>10,204,892</u>	<u>93,926</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 105,281,720</u>	<u>\$ 115,397,957</u>	<u>\$ 115,811,186</u>	<u>\$ 413,229</u>

Katonah-Lewisboro Union Free School District, New York

General Fund

**Schedule of Expenditures and Other Financing Uses Compared to Budget
Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 66,505	\$ 64,505	\$ 62,476	-	\$ 2,029
District clerk	59,033	81,465	80,948	-	517
District meeting	39,950	42,600	36,284	-	6,316
Total Board of Education	165,488	188,570	179,708	-	8,862
CENTRAL ADMINISTRATION					
Chief school administrator	434,103	418,371	394,662	8,114	15,595
FINANCE					
Business administration	720,363	762,698	728,623	2,123	31,952
Accounting and auditing	129,305	128,729	89,861	35,025	3,843
Treasurer	117,726	119,102	118,896	-	206
Purchasing	81,331	83,759	81,419	-	2,340
Total Finance	1,048,725	1,094,288	1,018,799	37,148	38,341
STAFF					
Legal	652,963	649,701	375,754	4,000	269,947
Personnel	458,923	419,426	397,024	-	22,402
Records management officer	16,090	16,090	10,047	-	6,043
Public information and services	84,407	82,407	50,392	-	32,015
Total Staff	1,212,383	1,167,624	833,217	4,000	330,407

CENTRAL SERVICES

Operation and maintenance of plant
 Central printing and mailing
 Central data processing

6,704,221	6,685,628	380,144	252,941
227,247	236,597	-	10,388
589,365	582,581	-	27,224

Total Central Services

7,520,833	7,504,806	380,144	290,553
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SPECIAL ITEMS

Unallocated insurance
 School association dues
 Refunds of real property taxes
 Administrative charge - BOCES

152,895	151,860	-	4,772
29,875	29,875	-	2,273
50,000	72,589	-	39,740
610,945	610,945	-	-

Total Special Items

843,715	865,269	-	46,785
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Total General Support

11,225,247	11,238,928	429,406	730,543
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INSTRUCTION**INSTRUCTION, ADMINISTRATION
AND IMPROVEMENT**

Curriculum development and supervision
 Supervision - Regular school
 In-service training - Instruction

654,362	637,137	-	53,185
4,366,815	4,354,147	-	57,659
233,014	245,953	-	57,368

Total Instruction, Administration
and Improvement

5,254,191	5,237,237	-	168,212
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TEACHING - REGULAR SCHOOL

30,067,987	28,968,470	29,764	493,897
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**PROGRAMS FOR CHILDREN WITH
HANDICAPPING CONDITIONS**

Programs for students with disabilities

11,694,664	11,656,680	-	435,255
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OCCUPATIONAL EDUCATION

439,312	439,312	-	1,010
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TEACHING - SPECIAL SCHOOLS

5,000	5,000	-	830
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(Continued)

Katonah-Lewisboro Union Free School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
INSTRUCTION (Continued)					
INSTRUCTIONAL MEDIA					
School library and audiovisual	\$ 973,792	\$ 979,018	\$ 957,237	\$ 3,109	\$ 18,672
Computer assisted instruction	2,374,376	2,492,620	2,261,433	33,509	197,678
Total Instructional Media	3,348,168	3,471,638	3,218,670	36,618	216,350
PUPIL SERVICES					
Attendance - Regular school	53,435	38,419	35,995	-	2,424
Guidance - Regular school	2,024,225	2,018,911	1,978,017	395	40,499
Health services - Regular school	763,210	764,226	724,185	1,800	38,241
Psychological services - Regular school	575,901	565,787	547,550	-	18,237
Social work services - Regular school	867,508	851,786	849,802	-	1,984
Co-curricular activities - Regular school	409,040	440,794	412,584	-	28,210
Interscholastic athletics - Regular school	949,246	954,303	906,113	7,283	40,907
Total Pupil Services	5,642,565	5,634,226	5,454,246	9,478	170,502
Total Instruction	56,451,887	55,412,563	53,850,647	75,860	1,486,056
PUPIL TRANSPORTATION					
District transportation services	4,827,264	4,596,986	4,279,519	-	317,467
COMMUNITY SERVICES					
Community custodial services	14,000	18,500	15,127	-	3,373

EMPLOYEE BENEFITS				
State retirement	2,339,613	1,899,613	1,862,669	-
Teachers' retirement	6,280,780	5,824,713	5,824,713	-
Social security	4,242,823	4,149,341	3,970,959	-
Hospital, medical and dental insurance	14,857,923	14,933,021	14,897,103	-
Workers' compensation benefits	417,111	418,523	418,423	-
Retiree leave payments	1,102,444	1,407,444	1,228,172	-
Unemployment benefits	76,750	46,900	35,493	-
Disability insurance	80,000	77,019	70,250	-
Union welfare benefits	460,000	461,419	449,372	-
Total Employee Benefits	29,857,444	29,217,993	28,757,154	460,839
DEBT SERVICE				
Principal				
Serial bonds	4,315,000	4,315,000	4,315,000	-
Energy performance contract debt	256,848	256,848	256,846	2
Interest				
Serial bonds	4,571,848	4,571,848	4,571,846	2
Energy performance contract debt	622,207	487,107	487,100	7
Bond anticipation notes	277,474	277,474	277,472	2
	7,390	17,589	17,587	2
Refunding bond issuance costs	907,071	782,170	782,159	11
Total Debt Service	-	124,577	124,577	-
TOTAL EXPENDITURES	5,478,919	5,478,595	5,478,582	13
	107,854,761	105,963,565	102,460,008	2,998,291
OTHER FINANCING USES				
Payments to refunded bond escrow agent	-	9,971,389	9,971,389	-
Transfers out				
Capital Projects Fund				
Bond anticipation notes	564,400	1,767,600	1,767,600	-
Other	400,000	1,295,000	1,295,000	-
Special Aid Fund	135,000	135,000	134,980	20
TOTAL OTHER FINANCING USES	1,099,400	13,168,989	13,168,969	20
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 108,954,161	\$ 119,132,554	\$ 115,628,977	\$ 505,266
				\$ 2,998,311

Katonah-Lewisboro Union Free School District, New York

Capital Projects Fund
Comparative Balance Sheet
June 30,

	2016	2015
ASSETS		
Cash and equivalents	\$ 1,499,806	\$ 2,088,375
Restricted cash	5,989	2,343,265
State and Federal aid receivable	-	204,423
Due from other funds	-	870,605
Total Assets	<u>\$ 1,505,795</u>	<u>\$ 5,506,668</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 5,989	\$ 11,099
Bond anticipation notes payable	-	1,767,600
Due to other funds	73,015	204,979
Total Liabilities	79,004	1,983,678
Fund balance		
Restricted	1,426,791	3,522,990
Total Liabilities and Fund Balance	<u>\$ 1,505,795</u>	<u>\$ 5,506,668</u>

Katonah-Lewisboro Union Free School District, New York

Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended June 30,

	<u>2016</u>	<u>2015</u>
REVENUES		
State aid	\$ 65,251	\$ 193,910
EXPENDITURES		
Capital outlay	<u>5,216,947</u>	<u>7,440,626</u>
Deficiency of Revenues Over Expenditures	<u>(5,151,696)</u>	<u>(7,246,716)</u>
OTHER FINANCING SOURCES (USES)		
Energy performance contract debt issued	-	7,454,228
Transfers in	3,062,600	1,991,900
Transfers out	<u>(7,103)</u>	<u>(535)</u>
Total Other Financing Sources	<u>3,055,497</u>	<u>9,445,593</u>
Net Change in Fund Balance	(2,096,199)	2,198,877
FUND BALANCE		
Beginning of Year	<u>3,522,990</u>	<u>1,324,113</u>
End of Year	<u><u>\$ 1,426,791</u></u>	<u><u>\$ 3,522,990</u></u>

Katonah-Lewisboro Union Free School District, New York

Capital Projects Fund

Project - Length Schedule

Inception Of Project Through June 30, 2016

Project	Authori- zation	Expenditures and Transfers To Date		
		Prior Years	Current Year	Totals
WWTP Upgrade	\$ 1,318,769	\$ 1,016,141	\$ 65,251	\$ 1,081,392
John Jay Middle School Painting	183,730	27,111	-	27,111
John Jay High School Renovations	1,620,000	193,671	1,356,130	1,549,801
John Jay High School Building K and DO Renovations	400,000	31,480	244,364	275,844
Energy Performance Contract - High School	1,427,374	1,005,114	422,260	1,427,374
Energy Performance Contract - Lewisboro	755,283	442,563	312,720	755,283
Energy Performance Contract - Katonah	914,842	522,534	392,308	914,842
Energy Performance Contract - Increase Miller	702,663	520,938	181,725	702,663
Energy Performance Contract - Middle School	2,745,974	2,130,503	615,471	2,745,974
Energy Performance Contract - Meadow Pond	908,092	493,858	414,234	908,092
Proposition Number 2 - 2015	827,500	-	827,500	827,500
Proposition Number 4 - 2015	1,975,000	-	72,835	72,835
2015 District Wide Construction	200,000	27,096	159,113	186,209
Proposition Number 2 - 2016	895,000	-	-	-
2016 District Wide Construction	400,000	-	160,139	160,139
Totals	<u>\$ 15,274,227</u>	<u>\$ 6,411,009</u>	<u>\$ 5,224,050</u>	<u>\$ 11,635,059</u>

Unexpended Balance	Methods of Financing				Fund Balances (Deficits) at June 30, 2016
	Proceeds of Obligations	State Aid	Interfund Transfers	Totals	
\$ 237,377	\$ -	\$ 1,081,392	\$ -	\$ 1,081,392	\$ -
156,619	-	-	183,730	183,730	156,619
70,199	-	-	1,620,000	1,620,000	70,199
124,156	-	-	400,000	400,000	124,156
-	1,427,374	-	-	1,427,374	-
-	755,283	-	-	755,283	-
-	914,842	-	-	914,842	-
-	702,663	-	-	702,663	-
-	2,745,974	-	-	2,745,974	-
-	908,092	-	-	908,092	-
-	-	-	827,500	827,500	-
1,902,165	-	-	-	-	(72,835)
13,791	-	-	200,000	200,000	13,791
895,000	-	-	895,000	895,000	895,000
239,861	-	-	400,000	400,000	239,861
<u>\$ 3,639,168</u>	<u>\$ 7,454,228</u>	<u>\$ 1,081,392</u>	<u>\$ 4,526,230</u>	<u>\$ 13,061,850</u>	<u>\$ 1,426,791</u>

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Katonah-Lewisboro Union Free School District, New York

Special Aid Fund
Comparative Balance Sheet
June 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	<u>\$ 52,473</u>	<u>\$ 61,486</u>
Receivables		
State and Federal aid	623,240	673,263
Due from other governments	<u>146,031</u>	<u>178,415</u>
	<u>769,271</u>	<u>851,678</u>
Total Assets	<u><u>\$ 821,744</u></u>	<u><u>\$ 913,164</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 109,172	\$ 90,437
Due to other funds	408,526	458,696
Advances from other funds	255,967	306,329
Unearned revenues	<u>48,079</u>	<u>57,702</u>
Total Liabilities	<u>821,744</u>	<u>913,164</u>
Fund balance (deficit)		
Nonspendable	255,967	306,329
Unassigned	<u>(255,967)</u>	<u>(306,329)</u>
Total Fund Balance	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 821,744</u></u>	<u><u>\$ 913,164</u></u>

Katonah-Lewisboro Union Free School District, New York**Special Aid Fund****Comparative Schedule of Revenues, Expenditures and Changes**

in Fund Balance - Budget and Actual

Years Ended June 30,

	2016			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State aid	\$ 540,000	\$ 540,000	\$ 539,922	\$ (78)
Federal aid	924,645	1,281,201	926,948	(354,253)
Miscellaneous	232,000	239,000	189,843	(49,157)
Total Revenues	1,696,645	2,060,201	1,656,713	(403,488)
EXPENDITURES				
Current				
General support	167,000	174,000	125,388	48,612
Instruction	1,536,609	1,875,415	1,521,068	354,347
Pupil transportation	52,000	91,423	91,421	2
Employee benefits	76,036	54,363	53,816	547
Total Expenditures	1,831,645	2,195,201	1,791,693	403,508
Deficiency of Revenues Over Expenditures	(135,000)	(135,000)	(134,980)	20
OTHER FINANCING SOURCES				
Transfers in	135,000	135,000	134,980	(20)
Net Change in Fund Balance	-	-	-	-
FUND BALANCE				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

2015			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 520,000	\$ 520,000	\$ 508,455	\$ (11,545)
941,313	1,283,343	930,634	(352,709)
417,800	417,800	207,160	(210,640)
1,879,113	2,221,143	1,646,249	(574,894)
315,000	315,000	120,586	194,414
1,545,270	1,848,068	1,474,683	373,385
51,678	87,753	85,895	1,858
97,165	100,322	92,199	8,123
2,009,113	2,351,143	1,773,363	577,780
(130,000)	(130,000)	(127,114)	2,886
130,000	130,000	127,114	(2,886)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Katonah-Lewisboro Union Free School District, New York

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016
(With Comparative Totals for 2015)

			Total Non-Major Governmental Funds	
	School Lunch	Special Purpose	2016	2015
ASSETS				
Cash and equivalents	\$ 496,442	\$ 117,041	\$ 613,483	\$ 515,881
Receivables				
Accounts	3,366	-	3,366	2,348
State and Federal aid	9,082	-	9,082	6,680
Due from other funds	-	-	-	152,992
	12,448	-	12,448	162,020
Inventories	13,804	-	13,804	6,396
Total Assets	<u>\$ 522,694</u>	<u>\$ 117,041</u>	<u>\$ 639,735</u>	<u>\$ 684,297</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 80,495	\$ 12,350	\$ 92,845	\$ 77,658
Due to other governments	94	-	94	90
Unearned revenues	54,296	-	54,296	45,320
Total Liabilities	134,885	12,350	147,235	123,068
Fund balances				
Nonspendable	13,804	-	13,804	6,396
Restricted	-	104,691	104,691	112,563
Assigned	374,005	-	374,005	442,270
Total Fund Balances	387,809	104,691	492,500	561,229
Total Liabilities and Fund Balances	<u>\$ 522,694</u>	<u>\$ 117,041</u>	<u>\$ 639,735</u>	<u>\$ 684,297</u>

Katonah-Lewisboro Union Free School District, New York

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances

Non-Major Governmental Funds

Year Ended June 30, 2016

(With Comparative Totals for 2015)

			Total Non-Major Governmental Funds	
	School Lunch	Special Purpose	2016	2015
REVENUES				
Use of money and property	\$ 372	\$ 38	\$ 410	\$ 446
State aid	7,962	-	7,962	6,784
Federal aid	117,688	-	117,688	77,419
Food sales	1,097,332	-	1,097,332	1,027,247
Miscellaneous	208	4,750	4,958	11,937
	<u>1,223,562</u>	<u>4,788</u>	<u>1,228,350</u>	<u>1,123,833</u>
EXPENDITURES				
Current				
Cost of food sales	1,284,419	-	1,284,419	1,131,535
Other	-	12,660	12,660	14,925
	<u>1,284,419</u>	<u>12,660</u>	<u>1,297,079</u>	<u>1,146,460</u>
Deficiency of Revenues Over Expenditures	(60,857)	(7,872)	(68,729)	(22,627)
FUND BALANCES				
Beginning of Year	<u>448,666</u>	<u>112,563</u>	<u>561,229</u>	<u>583,856</u>
End of Year	<u>\$ 387,809</u>	<u>\$ 104,691</u>	<u>\$ 492,500</u>	<u>\$ 561,229</u>

Katonah-Lewisboro Union Free School District, New York

School Lunch Fund
Comparative Balance Sheet
June 30,

	2016	2015
ASSETS		
Cash and equivalents	<u>\$ 496,442</u>	<u>\$ 395,393</u>
Receivables		
Accounts	3,366	2,348
State and Federal aid	9,082	6,680
Due from other funds	<u>-</u>	<u>152,992</u>
	<u>12,448</u>	<u>162,020</u>
Inventories	<u>13,804</u>	<u>6,396</u>
Total Assets	<u><u>\$ 522,694</u></u>	<u><u>\$ 563,809</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 80,495	\$ 69,733
Due to other governments	94	90
Unearned revenues	<u>54,296</u>	<u>45,320</u>
Total Liabilities	<u>134,885</u>	<u>115,143</u>
Fund balance		
Nonspendable	13,804	6,396
Assigned	<u>374,005</u>	<u>442,270</u>
Total Fund Balance	<u>387,809</u>	<u>448,666</u>
Total Liabilities and Fund Balance	<u><u>\$ 522,694</u></u>	<u><u>\$ 563,809</u></u>

Katonah-Lewisboro Union Free School District, New York**School Lunch Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended June 30,**

	<u>2016</u>	<u>2015</u>
REVENUES		
Use of money and property	\$ 372	\$ 423
State aid	7,962	6,784
Federal aid	117,688	77,419
Food sales	1,097,332	1,027,247
Miscellaneous	<u>208</u>	<u>1,837</u>
Total Revenues	1,223,562	1,113,710
EXPENDITURES		
Current		
Cost of food sales	<u>1,284,419</u>	<u>1,131,535</u>
Deficiency of Revenues Over Expenditures	(60,857)	(17,825)
FUND BALANCE		
Beginning of Year	<u>448,666</u>	<u>466,491</u>
End of Year	<u>\$ 387,809</u>	<u>\$ 448,666</u>

Katonah-Lewisboro Union Free School District, New York

Special Purpose Fund
Comparative Balance Sheet
June 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and equivalents	<u>\$ 117,041</u>	<u>\$ 120,488</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 12,350	\$ 7,925
Fund balance		
Restricted	<u>104,691</u>	<u>112,563</u>
Total Liabilities and Fund Balance	<u>\$ 117,041</u>	<u>\$ 120,488</u>

Katonah-Lewisboro Union Free School District, New York

Special Purpose Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended June 30,

	<u>2016</u>	<u>2015</u>
REVENUES		
Use of money and property	\$ 38	\$ 23
Miscellaneous	<u>4,750</u>	<u>10,100</u>
Total Revenues	4,788	10,123
EXPENDITURES		
Current		
Other	<u>12,660</u>	<u>14,925</u>
Deficiency of Revenues Over Expenditures	(7,872)	(4,802)
FUND BALANCE		
Beginning of Year	<u>112,563</u>	<u>117,365</u>
End of Year	<u><u>\$ 104,691</u></u>	<u><u>\$ 112,563</u></u>

Katonah-Lewisboro Union Free School District, New York

General Fund

Analysis of Change from Adopted Budget to Final Budget

Year Ended June 30, 2016

Adopted Budget	\$ 108,731,720
Additions	
Encumbrances	<u>222,441</u>
Original Budget	108,954,161
Budget Amendments	<u>10,178,393</u>
Final Budget	<u><u>\$ 119,132,554</u></u>

General Fund

Section 1318 of Real Property Tax Law Limit Calculation

Year Ended June 30, 2016

2016-17 Expenditure Budget	<u>\$ 105,994,936</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted fund balance	
Assigned fund balance	3,705,266
Unassigned fund balance	<u>4,012,694</u>
Total Unrestricted Fund Balance	7,717,960
Less	
Appropriated for subsequent year's budget	3,200,000
Encumbrances	<u>505,266</u>
Total Adjustments	<u><u>3,705,266</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 4,012,694</u></u>
Actual Percentage	<u><u>3.79%</u></u>

Katonah-Lewisboro Union Free School District, New YorkSchedule of Net Investment in Capital Assets
Year Ended June 30, 2016

Capital Assets, net		\$ 85,601,422
Less		
Bonds payable	14,015,000	
Energy performance contract debt payable	7,197,382	
Unamortized portion of premium on bonds	<u>1,313,528</u>	(22,525,910)
Add		
Unamortized portion of loss on refunding bonds		<u>377,418</u>
Net Investment in Capital Assets		<u><u>\$ 63,452,930</u></u>

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**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**

Independent Auditors' Report

**Board of Education of the
Katonah-Lewisboro Union Free School District, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Katonah-Lewisboro Union Free School District, New York ("School District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 28, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the School District in a separate letter.

Purpose of this Report

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

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

September 28, 2016



**Report on Compliance For Each Major Federal Program and Report on
Internal Control Over Compliance Required by
the Uniform Guidance**

Independent Auditors' Report

**Board of Education of the
Katonah-Lewisboro Union Free School District, New York**

Report on Compliance for Each Major Federal Program

We have audited the Katonah-Lewisboro Union Free School District, New York's ("School 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 School District's major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School 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 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 School 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 School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School 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 School 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 School 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 School 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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

September 28, 2016

Katonah-Lewisboro Union Free School District, New York

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Sub- Recipients</u>	<u>Federal Program Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Indirect Programs - Passed through New York State Department of Education				
<i>Child Nutrition Cluster</i>				
National School Lunch Program - Commodities	10.555		\$ -	\$ 30,773
National School Lunch Program - Cash	10.555		-	86,915
Total U.S. Department of Agriculture			-	117,688
<u>U.S. Department of Education</u>				
Indirect Programs - Passed through New York State Department of Education				
<i>Special Education - Cluster (IDEA)</i>				
Special Education - Grants to States (IDEA, Part B)	84.027	032-16-1042	-	698,860
Special Education - Preschool Grants (IDEA Preschool)	84.173	033-16-1042	-	33,698
Subtotal Special Education Cluster			-	732,558
Title I Grants - Local Educational Agencies	84.010	021-16-3600	-	105,650
Improving Teacher Quality State Grants	84.367	147-16-3600	-	88,740
Total U.S. Department of Education			-	926,948
Total Expenditures of Federal Awards			\$ -	\$ 1,044,636

(1) Catalog of Federal Domestic Assistance number

The accompanying notes are an integral part of this schedule.

Katonah-Lewisboro Union Free School District, New York

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Katonah-Lewisboro Union Free School District, New York ("School District") under programs of the federal government for the year ended June 30, 2016. Federal awards received directly from the Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Katonah-Lewisboro Union Free School District, New York

Summary Schedule of Prior Audit Findings
June 30, 2016

None

Katonah-Lewisboro Union Free School District, New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued
on whether the financial statements
audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

____ Yes X No
____ Yes X None reported

Noncompliance material to financial statements
noted?

____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

____ Yes X No
____ Yes X None reported

Type of auditors' report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are
required to be reported in accordance with
2 CFR 200.516(a)?

____ Yes X No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027
84.173

Special Education Cluster
Special Education – Grants to States (IDEA, Part B)
Special Education – Preschool Grants (IDEA Preschool)

Dollar threshold used to distinguish
between Type A and Type B programs:
Auditee qualified as low-risk auditee?

\$750,000
 X Yes ____ No

Katonah-Lewisboro Union Free School District, New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section II - Financial Statement Findings

None.

Section III - Federal Awards Findings and Questioned Costs

None.

Section IV - Summary of Prior Audit Findings

None.