

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
FINANCIAL REPORT  
JUNE 30, 2016**

**BETHLEHEM CENTRAL SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

Kevin J. McCoy, CPA  
Thomas W. Donovan, CPA  
Frank S. Venezia, CPA  
James E. Amell, CPA  
Carol A. Hausamann, CPA  
Daniel J. Litz, CPA  
Karl F. Newton, CPA  
Kevin P. O'Leary, CPA  
Timothy A. Reynolds, CPA  
Heather R. Lewis, CPA  
  
Heather D. Patten, CPA

To the President and Members  
of the Board of Education of the  
Bethlehem Central School District

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1 - A11, budgetary comparison information on pages C1 and C2, schedule of funding progress for the retiree health plan on page C3, schedules of proportionate share of net pensions liability (asset) on page C4 and schedules of District contributions on page C5 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.

### *Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bethlehem Central School District's basic financial statements. The supplemental information on pages D1 – D3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. These supplemental schedules 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Marvin and Company, P.C.*

Latham, NY  
October 6, 2016

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION  
AND ANALYSIS (UNAUDITED)  
JUNE 30, 2016**

The Bethlehem Central School District (the District) presents the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

The 2015-16 fiscal year resulted in improvement of the District's overall financial position. The General Fund yielded an operating surplus of \$2.8 million, largely due to control of expenditures and benefitting from a \$1.3 million reduction in pension costs. State aid saw a reduction in the Gap Elimination Adjustment, restoring about \$1.1 million in state aid that has previously been withheld, which also helped bolster programs.

The approved \$20 million capital project was completed in November 2015 and bonds were issued in June 2016. The District realized an increase in Building Aid of \$988,000, largely related to this project. Because of the state aid, the district was able to limit the increase in the tax levy to 0.45%, an increase of \$284,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

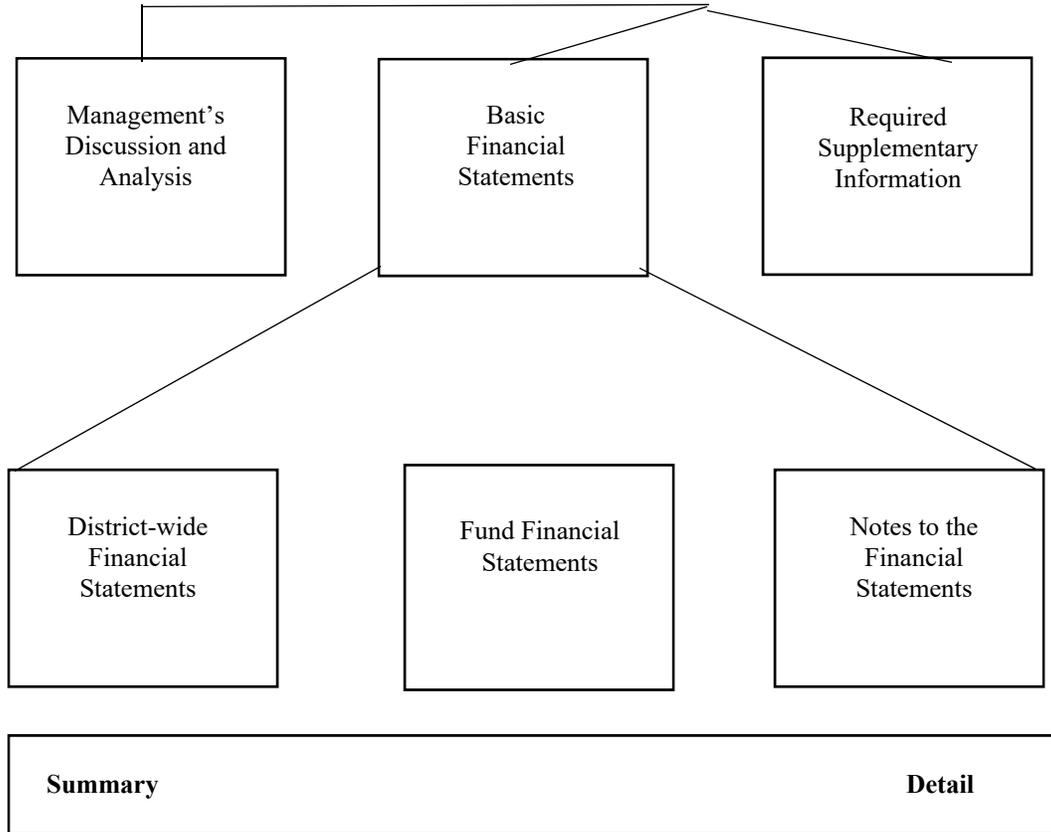
This annual report consists of five parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, supplemental information and the single audit section. The basic financial statements include two kinds of statements that present different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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION  
AND ANALYSIS (UNAUDITED)  
JUNE 30, 2016**

**Figure A-1:  
Organization of the Bethlehem Central School District Annual Financial Report**



**BETHLEHEM CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION  
AND ANALYSIS (UNAUDITED)  
JUNE 30, 2016**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2  
Major Features of the District-Wide and Fund Financial Statements**

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

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION  
AND ANALYSIS (UNAUDITED)  
JUNE 30, 2016**

**DISTRICT-WIDE STATEMENTS**

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

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

- Over time, increases and decreases in net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

**FUND FINANCIAL STATEMENTS**

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

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

The District has two kinds of funds:

- **Governmental funds:** most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION  
AND ANALYSIS (UNAUDITED)  
JUNE 30, 2016**

- Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position  
June 30, 2016 and 2015**

	<u>2016</u>	<u>(Restated) 2015</u>	<u>Variance Increase (Decrease)</u>
Current Assets	\$ 29,079,302	\$ 29,336,629	\$ (257,327)
Net Pension Assets	20,863,576	22,486,051	(1,622,475)
Capital Assets	<u>130,976,303</u>	<u>128,569,606</u>	<u>2,406,697</u>
Total Assets	<u>180,919,181</u>	<u>180,392,286</u>	<u>526,895</u>
 Deferred Outflows of Resources	 <u>11,963,918</u>	 <u>6,454,074</u>	 <u>5,509,844</u>
Current Liabilities	18,434,075	40,073,797	(21,639,722)
Noncurrent Liabilities	<u>131,838,886</u>	<u>101,347,894</u>	<u>30,490,992</u>
Total Liabilities	<u>150,272,961</u>	<u>141,421,691</u>	<u>8,851,270</u>
 Deferred Inflows of Resources	 <u>8,109,396</u>	 <u>15,430,645</u>	 <u>(7,321,249)</u>
 Net Assets			
Invested in Capital Assets, Net of Related Debt	59,538,544	54,452,366	5,086,178
Restricted for Specified Purposes	14,302,947	9,064,155	5,238,792
Assigned fund balance	1,928,091	433,287	1,494,804
Unassigned Deficit	<u>(41,268,840)</u>	<u>(33,955,784)</u>	<u>(7,313,056)</u>
Total Net Position	<u>\$ 34,500,742</u>	<u>\$ 29,994,024</u>	<u>\$ 4,506,718</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION  
AND ANALYSIS (UNAUDITED)  
JUNE 30, 2016**

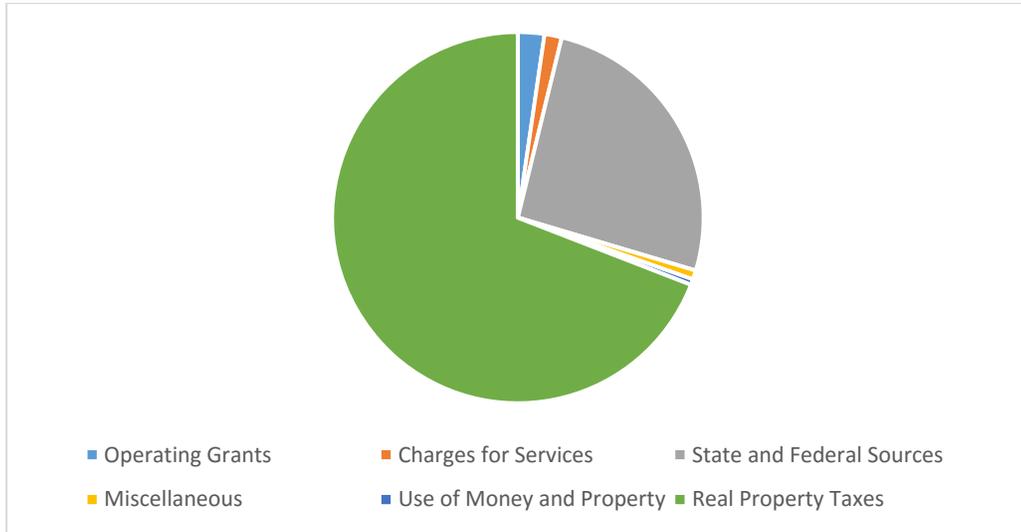
**Changes in Net Position  
June 30, 2016 and 2015**

	<u>2016</u>	<u>(Restated) 2015</u>	<u>Variance Increase (Decrease)</u>
Revenues:			
Program Revenues (netted in expenses, below):			
Charges for Services	\$ 1,394,019	\$ 1,471,089	\$ (77,070)
Operating Grants and Contributions	<u>2,138,032</u>	<u>2,240,251</u>	<u>(102,219)</u>
Total Program Revenues	<u>\$ 3,532,051</u>	<u>\$ 3,711,340</u>	<u>\$ (179,289)</u>
General Revenues:			
Real Property Taxes	\$ 57,803,038	\$ 57,548,434	\$ 254,604
Other Tax Items	8,944,618	8,792,030	152,588
Use of Money and Property	268,159	254,160	13,999
Sale of Property and Compensation for Loss	117,245	196,538	(79,293)
Miscellaneous	1,007,818	737,535	270,283
State Sources	25,491,831	24,194,181	1,297,650
Federal Sources	<u>186,957</u>	<u>524,782</u>	<u>(337,825)</u>
Total General Revenues	<u>93,819,666</u>	<u>92,247,660</u>	<u>1,572,006</u>
Expenses (net of program revenues):			
Instruction	68,277,251	64,220,905	4,056,346
Support Services			
General Support	9,733,059	8,770,267	962,792
Pupil Transportation	8,712,333	8,325,009	387,324
Community Services	87,833	85,621	2,212
Debt Service-Interest	2,409,996	2,403,058	6,938
School Lunch	<u>92,476</u>	<u>93,211</u>	<u>(735)</u>
Total Expenses	<u>89,312,948</u>	<u>83,898,071</u>	<u>5,414,877</u>
Other Financing Sources (Uses):			
Proceeds from Refunding Bonds	-	16,535,000	(16,535,000)
Payment to Refunded Bond Escrow Agent	<u>-</u>	<u>(16,070,000)</u>	<u>16,070,000</u>
Total Other Financing Sources	<u>-</u>	<u>465,000</u>	<u>(465,000)</u>
Change in Net Position	<u>\$ 4,506,718</u>	<u>\$ 8,814,589</u>	<u>\$ (4,307,871)</u>

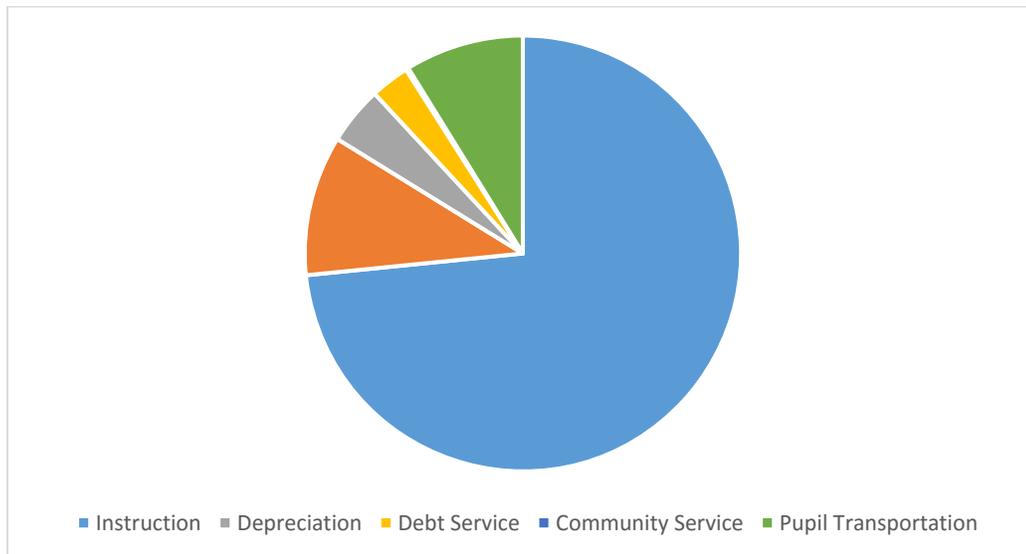
**BETHLEHEM CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION  
AND ANALYSIS (UNAUDITED)  
JUNE 30, 2016**

The following charts provide the percentage breakdown of all revenues by sources and all expenses by function for the entire District:

**Figure A-5 – Sources of Revenues for Fiscal Year 2016**



**Figure A-6 – Expenses for Fiscal Year 2016**



**BETHLEHEM CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION  
AND ANALYSIS (UNAUDITED)  
JUNE 30, 2016**

**Fund Financial Analysis (District's Funds)**

**Total Governmental Funds**

	<b><u>June 30, 2016</u></b>	<b><u>June 30, 2015</u></b>
Total Assets	\$ 31,581,463	\$ 30,566,435
Total Liabilities and Deferred inflows	11,711,420	34,735,508
Fund Equity:		
Nonspendable	19,638	32,445
Restricted	14,302,876	9,064,155
Assigned	61,139	435,839
Unassigned (Deficit)	<u>5,486,390</u>	<u>(13,701,512)</u>
Total Fund Equity (Deficit)	<u>\$ 19,870,043</u>	<u>\$ (4,169,073)</u>

The following is a summary of the fund balances (accumulated deficits) for the years ended June 30, 2016 and June 30, 2015 by individual fund:

	<b><u>Fund Equity (Deficit) 2016</u></b>	<b><u>Fund Equity (Deficit) 2015</u></b>	<b><u>Variance Increase (Decrease)</u></b>
General	\$ 14,891,993	\$ 12,041,834	\$ 2,850,159
School Lunch	(2,042)	50,358	(52,400)
Special Aid	2,625	2,552	73
Capital Projects	1,864,469	(17,368,129)	19,232,598
Debt Service	<u>3,112,998</u>	<u>1,104,312</u>	<u>2,008,686</u>
Totals	<u>\$ 19,870,043</u>	<u>\$ (4,169,073)</u>	<u>\$ 24,039,116</u>

The following is a summary of the general fund revenues and expenditures for the years ended June 30, 2016 and 2015:

	<b><u>June 30, 2016</u></b>	<b><u>June 30, 2015</u></b>	<b><u>Variance Increase (Decrease)</u></b>
Revenues:			
Taxes and Other Tax Items	\$ 66,747,656	\$ 66,340,464	\$ 407,192
Use of Money and Property	259,135	252,505	6,630
State and Federal Sources	26,079,927	23,543,918	2,536,009
Other	<u>1,542,269</u>	<u>1,677,333</u>	<u>(135,064)</u>
Totals	<u>\$ 94,628,987</u>	<u>\$ 91,814,220</u>	<u>\$ 2,814,767</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION  
AND ANALYSIS (UNAUDITED)  
JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Variance Increase (Decrease)</u>
Expenditures:			
General Support	\$ 7,547,250	\$ 6,742,290	\$ 804,960
Instruction	44,327,965	42,711,170	1,616,795
Pupil Transportation	5,225,817	5,112,890	112,927
Community Service	57,930	57,204	726
Employee Benefits	21,535,526	22,468,298	(932,772)
Debt Service	11,631,084	11,469,055	162,029
Capital Outlay	<u>569,971</u>	<u>380,908</u>	<u>189,063</u>
Totals	<u>\$ 90,895,543</u>	<u>\$ 88,941,815</u>	<u>\$ 1,953,728</u>

The overall 2.2% increase in expenditures reflects modest growth in salaries and operating costs, offset by reductions in employee benefits due primarily to reductions in pension rates.

The difference between the general fund's original budget and final amended budget was \$513,096, comprised of \$79,809 for gifts, donations and other revenues and \$433,287 for carry over encumbrances. There were sufficient revenues and fund equity available to cover the budget amendments.

**Capital Assets and Debt Administration**

**Capital Assets**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Land	\$ 246,072	\$ 246,072
Construction in Progress	23,500	15,552,340
Buildings and Improvements	126,797,939	109,206,538
Machinery and Equipment	612,957	432,929
Bus Fleet/Vehicles	<u>3,295,835</u>	<u>3,131,727</u>
Total	<u>\$ 130,976,303</u>	<u>\$ 128,569,606</u>

The total increase in the District's capital assets (net of accumulated depreciation) for the year ended June 30, 2016 was \$2,406,697. The net increase is due to capital project expenditures and acquisitions of buses and equipment, partially offset by depreciation expense.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION  
AND ANALYSIS (UNAUDITED)  
JUNE 30, 2016**

**Obligations**

The District had long-term debt including serial bonds and an energy performance contract outstanding as of June 30, 2016 and 2015 as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Serial Bonds	\$ 67,149,224	\$ 56,615,000
Energy Performance contract	<u>4,241,984</u>	<u>-</u>
Total	<u>\$ 71,391,208</u>	<u>\$ 56,615,000</u>

Proceeds of bonds to fund the completed capital project and a new energy performance contract account for the \$14,776,208 increase in long-term debt.

The District's current bond rating is stated as Aa3 by Moody's. Also, the District has a refunding bond outstanding (included with bonds listed above), the proceeds of which are in escrow to fund other previously existing debt.

Section 104.00 of the Local Finance Law limits the amount of general obligation debt that a school district may issue to 10 percent of its total assessed valuation. The outstanding general obligations of the District were well below the current debt limit of \$304 million for the District.

**Notes to the Financial Statements**

The notes provide additional information that is essential to achieving a full understanding of the data provided in the district-wide and fund financial statements.

**Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information (supplementary schedules).

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future. The District has planned for and implemented capital construction and improvements to meet the future needs for the community. A substantial planned technology park, in addition to other moderate growth, is expected to enhance the tax base over the next several years. One challenge facing the District is the ongoing dependence on state funding. Changes in the State's economy or other changes at the state level that impact the manner in which state aid is paid could have an impact on the finances of the District. The increases for the provision of mandated student services also contribute to the financial challenges of the District.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION  
AND ANALYSIS (UNAUDITED)  
JUNE 30, 2016**

**Requests for Information**

This financial report is designed to provide district residents, taxpayers, parents, students, investors and creditors with a general overview of the District's finances, and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Bethlehem Central School District  
Business Office  
700 Delaware Avenue  
Delmar, New York 12054

Or visit our website at <http://bethlehemschools.org>  
Children and Learning are the Heart of Bethlehem Central

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

**ASSETS**

Cash - unrestricted	\$	9,771,945
Cash - restricted		16,824,108
State and federal aid receivable		2,268,594
Due from other governments		105,409
Other receivables, net		89,608
Inventories		19,638
Capital assets, net		130,976,303
Net pension asset, proportionate share		20,863,576
Total Assets		180,919,181
Deferred Outflows of Resources		
Pensions		11,963,918
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$</b>	<b>192,883,099</b>

**LIABILITIES**

Accounts payable	\$	377,119
Due to other governments		218,718
Accrued liabilities		1,308,035
Refundable advances		67,652
Due to Teachers' Retirement System		4,271,894
Due to Employees' Retirement System		601,433
Bond anticipation notes		2,400,000
Long-term liabilities - due and payable within one year		
Bonds		9,189,224
Long-term liabilities - due and payable after one year		
Bonds		57,960,000
Capital lease		4,241,984
Compensated absences		2,630,000
Other postemployment benefits payable		57,120,589
Premium on bonds		1,989,019
Net pension liability, proportionate share		7,897,294
Total Liabilities		150,272,961
Deferred Inflows of Resources		
Pensions		8,109,396

**NET POSITION**

Net Investment in Capital Assets		59,538,544
Restricted		14,302,947
Unrestricted		(39,340,749)
Total Net Position		34,500,742
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$</b>	<b>192,883,099</b>

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	Expenses	Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
<b>Functions/Programs</b>					
General support	\$ 7,547,250	\$ 2,185,809	\$ -	\$ -	\$ (9,733,059)
Instruction	47,035,075	23,406,381	432,252	1,731,953	(68,277,251)
Pupil transportation	5,428,790	3,486,516	-	202,973	(8,712,333)
Community service	57,930	29,903	-	-	(87,833)
Employee benefits	25,401,238	(25,401,238)	-	-	-
Interest expense	2,409,996	-	-	-	(2,409,996)
School lunch program	1,022,424	234,925	961,767	203,106	(92,476)
Depreciation	3,942,296	(3,942,296)	-	-	-
<b>Total Functions and Programs</b>	<b>\$ 92,844,999</b>	<b>\$ -</b>	<b>\$ 1,394,019</b>	<b>\$ 2,138,032</b>	<b>(89,312,948)</b>
<b>General Revenues</b>					
Real property taxes					57,803,038
Other tax items					8,944,618
Use of money and property					268,159
Sale of property and compensation for loss					117,245
State sources					24,739,667
State aid for capital project					752,164
Federal sources					186,957
Miscellaneous					1,007,818
<b>Total General Revenues and Special Items</b>					<b>93,819,666</b>
Change in Net Position					4,506,718
Total Net Position - Beginning of Year, As Originally Reported					24,071,325
Prior Period Adjustment					5,922,699
Total Net Position - Beginning of Year, As Restated					29,994,024
Total Net Position - End of Year					\$ 34,500,742

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash - unrestricted	\$ 9,620,339	\$ 21,218	\$ 29,904	\$ 100,484	\$ -	\$ 9,771,945
Cash - restricted	11,189,878	-	-	4,241,984	1,392,246	16,824,108
State and federal receivable	1,469,389	784,846	14,359	-	-	2,268,594
Due from other governments	105,409	-	-	-	-	105,409
Due from other funds	763,775	-	-	17,634	1,720,752	2,502,161
Other receivables, net	89,529	-	79	-	-	89,608
Inventories	-	-	19,638	-	-	19,638
<b>Total Assets</b>	<b>\$ 23,238,319</b>	<b>\$ 806,064</b>	<b>\$ 63,980</b>	<b>\$ 4,360,102</b>	<b>\$ 3,112,998</b>	<b>\$ 31,581,463</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 272,191	\$ 9,230	\$ 65	\$ 95,633	\$ -	\$ 377,119
Accrued liabilities	533,850	23,594	13,258	-	-	570,702
Bond anticipation notes	-	-	-	2,400,000	-	2,400,000
Due to other funds	1,738,386	763,775	-	-	-	2,502,161
Due to other governments	210,661	6,840	1,217	-	-	218,718
Due to Teachers' Retirement System	4,271,894	-	-	-	-	4,271,894
Due to Employees' Retirement System	601,433	-	-	-	-	601,433
Refundable advances	16,170	-	51,482	-	-	67,652
<b>Total Liabilities</b>	<b>7,644,585</b>	<b>803,439</b>	<b>66,022</b>	<b>2,495,633</b>	<b>-</b>	<b>11,009,679</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	701,741	-	-	-	-	701,741
<b>FUND EQUITY (DEFICIT)</b>						
Non-spendable	-	-	19,638	-	-	19,638
Restricted	11,189,878	71	-	-	3,112,998	14,302,947
Assigned	61,068	2,554	-	1,864,469	-	1,928,091
Unassigned	3,641,047	-	(21,680)	-	-	3,619,367
<b>Total Fund Equity</b>	<b>14,891,993</b>	<b>2,625</b>	<b>(2,042)</b>	<b>1,864,469</b>	<b>3,112,998</b>	<b>19,870,043</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity</b>	<b>\$ 23,238,319</b>	<b>\$ 806,064</b>	<b>\$ 63,980</b>	<b>\$ 4,360,102</b>	<b>\$ 3,112,998</b>	<b>\$ 31,581,463</b>

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

Total governmental fund equity per above	\$ 19,870,043
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	130,976,303
Net pension asset, Teachers' Retirement System, is not reported in governmental funds	20,863,576
Revenues deferred in the governmental funds are recognized in the statement of net position	701,741
Accrued interest is not reported in governmental funds	(737,333)
Long-term liabilities are not reported in the governmental funds because they are not due and payable in the current period:	
Bonds and capital leases	(71,391,208)
Compensated absences	(2,630,000)
Other postemployment benefits	(57,120,589)
Net pension liability, Employees' Retirement System	(7,897,294)
Net Deferred (inflows)/outflows related to net pension asset/liability adjustments	3,854,522
Deferred bond premium is recorded as revenue in the fund financial statements, but is amortized over the life of the bond under full accrual accounting	(1,989,019)
<b>Net Position of Governmental Activities</b>	<b>\$ 34,500,742</b>

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Real Property Taxes	\$ 57,803,038	\$ -	\$ -	\$ -	\$ -	\$ 57,803,038
Other Tax Items	8,944,618	-	-	-	-	8,944,618
Charges for services	444,355	-	-	-	-	444,355
Use of money and property	259,135	-	-	-	9,024	268,159
Sale of property and compensation for loss	117,245	-	-	-	-	117,245
Miscellaneous	980,669	-	15,685	-	-	996,354
State sources	25,869,770	686,574	9,277	752,164	-	27,317,785
Federal sources	210,157	1,248,352	193,829	-	-	1,652,338
Sales	-	-	961,767	-	-	961,767
	<u>94,628,987</u>	<u>1,934,926</u>	<u>1,180,558</u>	<u>752,164</u>	<u>9,024</u>	<u>98,505,659</u>
<b>Total Revenues</b>						
	<u>94,628,987</u>	<u>1,934,926</u>	<u>1,180,558</u>	<u>752,164</u>	<u>9,024</u>	<u>98,505,659</u>
<b>Expenditures</b>						
General support	7,547,250	-	-	-	-	7,547,250
Instruction	44,327,965	2,224,110	-	-	-	46,552,075
Pupil transportation	5,225,817	202,973	-	-	-	5,428,790
Community services	57,930	-	-	-	-	57,930
Employee benefits	21,535,526	247,416	234,925	-	-	22,017,867
Debt service						
Principal	9,364,000	-	-	-	-	9,364,000
Interest	2,267,084	-	-	-	-	2,267,084
Cost of sales	-	-	1,022,424	-	-	1,022,424
Capital outlay	569,971	-	-	5,779,022	-	6,348,993
	<u>90,895,543</u>	<u>2,674,499</u>	<u>1,257,349</u>	<u>5,779,022</u>	<u>-</u>	<u>100,606,413</u>
<b>Total Expenditures</b>						
	<u>90,895,543</u>	<u>2,674,499</u>	<u>1,257,349</u>	<u>5,779,022</u>	<u>-</u>	<u>100,606,413</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,733,444</u>	<u>(739,573)</u>	<u>(76,791)</u>	<u>(5,026,858)</u>	<u>9,024</u>	<u>(2,100,754)</u>
<b>Other Financing Sources And (Uses)</b>						
BANs redeemed from appropriations	-	-	-	1,524,000	-	1,524,000
Bond premium	-	-	-	-	1,999,662	1,999,662
EPC lease proceeds	-	-	-	4,241,984	-	4,241,984
Bond proceeds	-	-	-	18,374,224	-	18,374,224
Interfund transfers in	-	739,646	24,391	119,248	-	883,285
Interfund transfers (out)	(883,285)	-	-	-	-	(883,285)
	<u>(883,285)</u>	<u>739,646</u>	<u>24,391</u>	<u>24,259,456</u>	<u>1,999,662</u>	<u>26,139,870</u>
<b>Total Other Sources And (Uses)</b>						
	<u>(883,285)</u>	<u>739,646</u>	<u>24,391</u>	<u>24,259,456</u>	<u>1,999,662</u>	<u>26,139,870</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)</b>						
	<u>2,850,159</u>	<u>73</u>	<u>(52,400)</u>	<u>19,232,598</u>	<u>2,008,686</u>	<u>24,039,116</u>
Fund Equity (Deficiency) - Beginning of Year	12,041,834	2,552	50,358	(17,368,129)	1,104,312	(4,169,073)
<b>Fund Equity (Deficiency) - End of Year</b>	<b>\$ <u>14,891,993</u></b>	<b>\$ <u>2,625</u></b>	<b>\$ <u>(2,042)</u></b>	<b>\$ <u>1,864,469</u></b>	<b>\$ <u>3,112,998</u></b>	<b>\$ <u>19,870,043</u></b>

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Net changes in fund equity - total governmental funds	\$ 24,039,116
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	6,348,993
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(3,942,296)
Redemptions of bond anticipation notes are revenue in governmental funds, but not in the statement of activities	(1,524,000)
Proceeds from long-term debt are recorded as revenue in the governmental funds, but are recorded as liabilities in the statement of net position	(22,616,208)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	9,364,000
Bond premium is recorded as revenue in the governmental funds, but is recorded as a liability in the statement of net position	(1,999,662)
Amortization of bond premium is an adjustment to interest expense in the statement of activities	10,643
Accrued postemployment benefits do not require the expenditure of current resources and, therefore, are not reported as expenditures in the governmental funds	(8,354,542)
Compensated absences do not require the expenditure of current resources and, therefore, are not reported as expenditures in the governmental funds	(483,000)
Certain changes to pension expense are not recorded in the governmental funds, but are reflected in the statement of activities	4,971,171
Certain revenues deferred in the governmental funds are recognized in the statement of activities	(1,153,942)
Accrued interest expense does not require the expenditure of current resources and therefore is not reported as an expenditure in the governmental funds	<u>(153,555)</u>
Change in net position - Governmental activities	<u>\$ 4,506,718</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2016**

	<b>Agency</b>	<b>Private Purpose Trusts</b>
<b>ASSETS</b>		
Cash - unrestricted	\$ 153,258	\$ -
Cash - restricted	387,870	-
Total Assets	\$ 541,128	\$ -
 <b>LIABILITIES</b>		
Other liabilities	\$ 319,637	-
Extraclassroom activity balances	221,491	-
Total Liabilities	\$ 541,128	\$ -
 <b>NET POSITION</b>		
Reserved for scholarships		\$ -

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

	<b>Private Purpose Trusts</b>
<b>ADDITIONS</b>	
Gifts and contributions	\$ -
Investment earnings	-
Total Additions	-
 <b>DEDUCTIONS</b>	
Scholarships and awards	700
Contractual and other	-
Change in Net Position	(700)
Net Position - Beginning of year	700
Net Position - End of year	\$ -

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Bethlehem Central School District ("the District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standards-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

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

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

The accompanying financial statements present the activities of the District and its component unit. The District is not a component unit of another reporting entity.

The decision to include a potential component unit in the District's reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of an entity included in the District's reporting entity within its Fiduciary funds:

The Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions, and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office, located at 700 Delaware Ave, Delmar, NY.

**B. Joint Venture**

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

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***B. Joint Venture***

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

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

During the year ended June 30, 2016, Bethlehem Central School District was billed \$3,506,668 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,590,256. Financial statements for the BOCES are available from the BOCES administrative office.

***C. Basis of Presentation***

***District-wide statements***

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column, if any, reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expensed for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*C. Basis of Presentation*

*Fund financial statements*

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

The District reports the following major governmental funds:

*I. Governmental Funds*

General Fund

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

Special Aid Fund

This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund

This fund is used to account for transactions of the District's lunch and breakfast programs.

Capital Projects Fund

This fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities, or for the purchase of vehicles and equipment.

Debt Service Fund

This fund accounts for the accumulation of resources for the future payment of principal and interest on long-term general obligations debt of governmental activities.

*II. Fiduciary Funds*

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee and agent for resources that belong to others. These activities are not included in the District-wide financial statements because their resources do not belong to the District and are not available to be used.

There are two classes of fiduciary funds:

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***C. Basis of Presentation***

***II. Fiduciary Funds***

a. Private Purpose Trust Funds

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

b. Agency Funds

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

***D. Basis of Accounting/Measurement Focus***

***General Information***

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, other postemployment benefits, pensions and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other sources.

***E. Refundable Advances***

Refundable advances arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for refundable advances is removed and revenue is recognized.

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***F. Property Taxes***

***I. Calendar***

Real property taxes were levied by the Board of Education August 5, 2015. Taxes were collected during the period September 1 through October 31, 2015.

***II. Enforcement***

Uncollected real property taxes are subsequently enforced by the County of Albany, in which the District is located. An amount representing uncollected real property taxes transmitted to Albany County for enforcement, is paid by the county to the District no later than the following April 1.

***G. Budgetary Procedures and Budgetary Accounting***

***I. Budget Policies***

Budget policies are as follows:

- a. The District administration prepares a proposed budget for the General Fund which is approved by the Board of Education.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the line item level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

From Additional Revenues:

Expenses associated with supplies	\$ 47,316
Expenses associated with athletic program restorations	21,593
Expenses associated with contractual obligations	<u>10,900</u>

Total Supplemental Appropriations \$ 79,809

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***G. Budgetary Procedures and Budgetary Accounting***

***I. Budget Policies***

- e. Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.
- f. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

***II. Encumbrances***

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

***III. Budget Basis of Accounting***

The District is not required to formally adopt annual budgets for its special revenue funds. Accordingly, although the School Lunch Fund does have a management approved budget and each special aid fund project follows an approved project budget, no statement of budget and actual revenues and expenditures is presented for the special revenue funds.

***H. Cash and Investments***

The District investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Investments, if any, are stated at fair value.

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***I. Accounts Receivable***

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

***J. Inventories***

Inventories of food and supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase.

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

***K. Interfund Transfers***

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

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

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

Refer to Note 2.A.II. for a detailed disclosure, by individual fund, of interfund receivables, payables, expenditures and revenues.

***L. Equity Classifications***

District-wide statements:

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

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

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***L. Equity Classifications***

District-wide statements:

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

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

Fund Statements:

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

**Non-spendable** fund equity - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable fund equity includes the inventory recorded in the School Lunch Fund of \$19,638.

**Restricted** - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of all other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund equity. (See definition of encumbrances below). The Special Aid Fund has encumbrances of \$71. The District has established the following restricted fund equity:

Mandatory Reserve for Debt Service

According to General Municipal Law §6-1, this mandatory reserve is used to restrict the use of proceeds from the cash sale of a capital asset. The restricted funds are to be used only for the retirement of any outstanding obligations that were issued to finance the asset sold.

Employee Benefit Accrued Liability

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

Retirement Contributions

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

Tax Certiorari

According to Education law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*L. Equity Classifications*

Workers' Compensation

The District is self-insured for workers' compensation on a cost-reimbursement basis. According to General Municipal law §6-j, must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program.

Capital Reserve

This reserve was authorized by the voters May 19, 2015, and established under Education law §3651(1). It is used to set aside funds for the purpose of paying the cost of future building projects. The authorization limits the funding of the reserve to \$10,000,000 and the reserve's authorization expires June 30, 2025.

Encumbrances

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

Restricted fund equity includes the following:

General Fund:	
Mandatory Reserve for Debt Service	\$ 272,878
Employee Benefit Accrued Liability Reserve	1,400,000
Reserve for Retirement Contributions	2,677,000
Reserve for Tax Certiorari	500,000
Workers' Compensation Reserve	1,440,000
Capital Reserve	<u>4,900,000</u>
Total General Fund	11,189,878
Special Aid Fund – Encumbrances	71
Debt Service Fund	<u>3,112,998</u>
Total Restricted Funds	<u>\$14,302,947</u>

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

**Assigned** - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Equity in the General Fund. Encumbrances reported in the General Fund amounted to \$61,068.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***L. Equity Classifications***

Purpose of Encumbrances, General Fund:

General Support	\$35,367
Instruction	<u>25,701</u>
	<u>\$61,068</u>

**Unassigned** - Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. Deficit fund equity in governmental funds are classified as unassigned.

Fund statements:

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. The District did not exceed the 4% limitation at June 30, 2016.

Order of Use of Fund Equity:

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

***M. Postemployment Benefits***

In addition to providing the retirement benefits described in Note 2.B.I, the District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of employment contracts and agreements negotiated between the District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Currently 428 retirees meet those eligibility requirements. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-employment benefits is shared between the District and the retired employee. The District recognized the cost of providing benefits for its retirees for fiscal year 2016 by recording \$2,436,917, its share of insurance premiums, as an expenditure in fiscal year 2016.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*N. Deferred Outflows and Inflows of Resources*

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. It is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

*O. Capital Assets*

Capital assets are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated assets are reported at estimated fair market value at the time received.

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

	<b><u>Capitalization Threshold</u></b>	<b><u>Depreciation Method</u></b>	<b><u>Estimated Useful Life In Years</u></b>
Site improvements	\$25,000	SL	20
Buildings and improvements	\$50,000	SL	20-50
Vehicles, furniture & equipment	\$5,000	SL	5-15

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***P. Short-Term Debt***

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

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

***Q. Accrued Liabilities and Long-Term Obligations***

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, accounts payable and accrued liabilities are paid in a timely manner, and in full, from current financial resources. Claims and judgments, other postemployment benefits payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

***R. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements***

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***R. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements***

- a. Total fund equity of governmental funds vs. net position of governmental activities:

Total fund equity of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

- b. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities fall into one of four broad categories. The differences represent:

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

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

***Capital Related Differences***

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

***Long-Term Debt Transaction Differences***

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

***Pension Differences***

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and difference between the District's contributions and its proportionate share of the total contributions to the pension systems.

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***S. Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other postemployment benefits, potential contingent liabilities, and the lives of long-term assets.

***T. Vested Benefits***

Compensated absences consist of unpaid accumulated annual vacation time and sick leave.

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

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

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

***U. Implementation of New Accounting Standards***

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2016, the District implemented the following new standards issued by GASB:

Statement 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.

Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***V. Future Changes in Accounting Standards***

GASB has issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for the year ending June 30, 2017.

GASB has issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the year ending June 30, 2017.

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending June 30, 2018.

GASB has issued Statement 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017.

GASB has issued statement 78, *Pensions Provided through Certain Municipal Employer Defined Benefit Pension Plans* for the year ended June 30, 2017.

GASB has issued Statement 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement 14* for the year ended June 30, 2017.

GASB has issued Statement 81, *Irrevocable Split Interest Agreements* effective for the year ended June 30, 2017.

GASB has issued Statement 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73* effective for the year ended June 30, 2017.

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

**2. DETAIL NOTES ON ALL FUNDS**

***A. Assets***

***I. Cash and Investments***

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2016 all deposits were fully insured and collateralized by the District's agent in the District's name.

Investments

Investments are stated at fair value and are categorized as either (1) insured or registered, or investments are held by the District or the District's agent in the District's name, (2) uninsured and unregistered, with the investments held by the financial institution's trust department in the District's name, (3) uninsured and unregistered, with investments held by the financial institution or its trust department but not in the District's name.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**2. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**I. Cash and Investments**

Restricted Cash

General:

Restricted cash at June 30, 2016 consists of:

Mandatory Reserve for Debt Service	\$ 272,878
Employee Benefit Accrued Liability Reserve	1,400,000
Reserve for Retirement Contributions	2,677,000
Reserve for Tax Certiorari	500,000
Workers' Compensation Reserve	1,440,000
Capital Reserve	<u>4,900,000</u>
Total Restricted	<u>\$11,189,878</u>

Debt Service:

Restricted cash of \$1,392,246 at June 30, 2016 is restricted for the repayment of debt.

Capital Projects:

Restricted cash of \$4,241,984 at June 30, 2016 is restricted for use on a specific project.

Fiduciary:

Restricted cash and investments of \$387,870 at June 30, 2016 consist of \$221,491 restricted for Extraclassroom Activity Funds, and \$166,379 restricted for employee benefit plans.

**II. Interfund Receivables and Payables**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund receivable and payable balances at June 30, 2016 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 763,775	\$1,738,386	\$ -	\$ 883,285
Special Aid Fund	-	763,775	739,646	-
School Lunch	-	-	24,391	-
Debt Service Fund	1,720,752	-	-	-
Capital Projects Funds	17,634	-	119,248	-
Total	<u>\$ 2,502,161</u>	<u>\$2,502,161</u>	<u>\$ 883,285</u>	<u>\$ 883,285</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**2. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**III. Capital Assets**

	<u>7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2016</u>
Governmental Activities				
Capital assets that are not depreciated:				
Land	\$ 246,072	\$ -	\$ -	\$ 246,072
Construction in process	15,552,340	23,500	15,552,340	23,500
Total non-depreciable historical cost	<u>15,798,412</u>	<u>23,500</u>	<u>15,552,340</u>	<u>269,572</u>
Capital assets that are depreciated:				
Buildings and improvements	140,229,726	20,396,770	-	160,626,496
Vehicle, Furniture and equipment	12,674,720	1,481,063	690,138	13,465,645
Total depreciable historical cost	<u>152,904,446</u>	<u>21,877,833</u>	<u>690,138</u>	<u>174,092,141</u>
Less accumulated depreciation:				
Buildings and improvements	31,023,188	2,805,369	-	33,828,557
Vehicles, furniture and equipment	9,110,064	1,136,927	690,138	9,556,853
Total accumulated depreciation	<u>40,133,252</u>	<u>3,942,296</u>	<u>690,138</u>	<u>43,385,410</u>
Total Capital Assets, Net	<u>\$ 128,569,606</u>	<u>\$ 17,959,037</u>	<u>\$ 15,552,340</u>	<u>\$ 130,976,303</u>

Depreciation was charged to governmental functions as follows:

General Support	\$ 40,292
Instruction	2,914,853
Transportation	987,151
Total Depreciation Expense	<u>\$ 3,942,296</u>

**B. Liabilities**

**I. Pension Plans**

General Information

The District participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). Collectively, TRS and ERS are referred to herein as the "Systems". These are cost-sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**2. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***I. Pension Plans***

Plan Descriptions

*Teachers' Retirement System*

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

*Employees' Retirement System*

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. 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 System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12208 or found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php).

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**2. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***I. Pension Plans***

Contributions

The Systems are 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 3% to 3.5% of their salary for their entire length or service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the contributions based on salaries paid during the System’s fiscal year ending March 31. Pursuant to Article 11 of the Education Law, the New York State Teachers’ Retirement Board establishes rates annually for TRS.

The District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>TRS</u>
<b>2015-16</b>	\$2,360,540	\$4,083,988
<b>2014-15</b>	\$2,558,354	\$5,230,838
<b>2013-14</b>	\$2,852,842	\$4,846,489

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

Pension Liabilities

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

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2015	June 30, 2014
Net pension asset/(liability)	(\$7,897,294)	\$20,863,576
District’s portion of the Plan’s total net pension asset/(liability)	.0492035%	.200866%

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**2. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***I. Pension Plans***

*Pension Expense*

For the year ended June 30, 2016, the District recognized its proportionate share of pension expense of \$2,821,282 for ERS and \$(1,380,184) for TRS.

*Deferred Outflows and Inflows of Resources Related to Pensions*

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experiences	\$ 39,907	\$ -	\$ 936,092	\$ 578,219
Changes of assumptions	2,105,970	-	-	-
Net difference between projected and actual earnings on pension plan investments	4,685,108	-	-	6,595,085
Changes in proportion and differences between contributions and proportionate share of contributions	411,952	35,560	-	-
Contributions subsequent to the measurement date	601,433	4,083,988	-	-
Total	<u>\$ 7,844,370</u>	<u>\$ 4,119,548</u>	<u>\$ 936,092</u>	<u>\$ 7,173,304</u>

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension (liability)/asset in the year ended March 31, 2017 for ERS and June 30, 2016 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized within pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2016	\$ -	\$(2,656,153)
2017	1,609,514	(2,656,153)
2018	1,609,514	(2,656,153)
2019	1,609,514	1,100,695
2020	1,478,303	( 68,169)
Thereafter	-	( 201,811)

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**2. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***I. Pension Plans***

*Actuarial Assumptions*

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7.0%	8.0%
Salary scale	3.8%	4.01% - 10.91%*
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.5%	3.0%
Projected cost of living adjustments	1.3% annually	1.625% annually

\*TRS salary scale differs based on age and gender and has been calculated based upon recent NYSTRS member experience. See the following projected increases:

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

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

For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**2. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***I. Pension Plans***

*Actuarial Assumptions*

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

The 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 returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

<u>ERS</u>	<u>Target Allocation 2016</u>	<u>Long-term expected Real rate of return* 2016</u>
Asset Class:		
Domestic equities	38%	7.30%
International equities	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	<u>2</u>	4.00%
Total	<u>100%</u>	

\* Real rates of return are net of the long-term inflation assumption of 2.5% for 2016.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**2. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***I. Pension Plans***

*Actuarial Assumptions*

<u>TRS</u>	<u>Target Allocation 2014</u>	<u>Long-term expected Real rate of return* 2014</u>
Asset Class:		
Domestic equities	37%	6.5%
International equities	18	7.7%
Real estate	10	4.6%
Alternative investments	<u>7</u>	9.9%
Total equities	72	
Domestic fixed income securities	17	2.1%
Global fixed income securities	2	1.9%
Mortgages	8	3.4%
Short-term	<u>1</u>	1.2%
Total fixed income	<u>28</u>	
Total	<u>100%</u>	

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

*Discount Rate*

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

*Sensitivity of the Proportionate Share of the Net Pension (Liability)/Asset to the Discount Rate Assumption*

The following presents the District's proportionate share of the net pension (liability)/asset calculated using the discount rate of 7% for ERS and 8% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6% for ERS and 7% for TRS) or 1 percentage point higher (8% for ERS and 9% for TRS) than the current rate:

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**2. DETAIL NOTES ON ALL FUNDS**

*B. Liabilities*

*I. Pension Plans*

<b>ERS</b>	<b>1% Decrease (6%)</b>	<b>Current Assumption (7%)</b>	<b>1% Increase (8%)</b>
Employer's proportionate share of the net pension (asset)/liability	\$17,807,823	\$ 7,897,294	\$ (476,681)
 <b>TRS</b>	<b>1% Decrease (7%)</b>	<b>Current Assumption (8%)</b>	<b>1% Increase (9%)</b>
Employer's proportionate share of the net pension (asset)/liability	\$1,423,165	\$(20,863,576)	\$(39,869,487)

*Changes of Assumptions*

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits. During the measurement periods, there were no changes of assumptions.

*Collective Pension Expense*

Collective pension expenses includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2016 is \$2,935,825 for ERS and (\$1,375,895) for TRS.

*Payables to the Pension Plan*

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$601,433.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$4,271,894.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**2. DETAIL NOTES ON ALL FUNDS**

*B. Liabilities*

*II. Indebtedness*

Short-Term Debt

Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of the General Long-Term Debt Account Group when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance-sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

Interest paid	\$ 311,968
Less interest accrued in the prior year	( 30,507)
Plus interest accrued in the current year	<u>15 187</u>
Total Expense	<u>\$ 296,648</u>

The following is a summary of changes in short-term debt for the year ended June 30, 2016:

Balance, July 1, 2015	\$21,567,134
Increases	2,400,000
Decreases	<u>21,567,134</u>
Balance, June 30, 2016	<u>\$ 2,400,000</u>

Long-Term Debt

Serial Bonds and Capital Leases

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the District recognized \$1,955,116 expenditures for long-term debt interest on serial bonds.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**2. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***II. Indebtedness***

Interest on long-term debt was comprised of:

Interest paid	\$ 1,955,116
Less interest accrued in the prior year	(553,271)
Plus interest accrued in the current year	722,146
Less amortization of bond premium	<u>(10,643)</u>
Total Expense	<u>\$ 2,113,348</u>

Changes

The changes in indebtedness during the year ended June 30, 2016 are summarized as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Serial bonds	\$ 56,615,000	\$ 18,374,224	\$ 7,840,000	\$ 67,149,224
Unamortized premiums	-	<u>1,999,662</u>	<u>10,643</u>	<u>1,989,019</u>
Total bonds	56,615,000	20,373,886	7,850,643	69,138,243
Installment obligation	-	4,241,984	-	4,241,984
Compensated absences	2,147,000	483,000	-	2,630,000
Other postemployment benefits (see Note 4)	48,766,047	10,791,459	2,436,917	57,120,589
Net pension liability (ERS)	<u>1,659,847</u>	<u>6,237,447</u>	<u>-</u>	<u>7,897,294</u>
Total	<u>\$109,187,894</u>	<u>\$ 42,127,776</u>	<u>\$ 10,287,560</u>	<u>\$ 41,028,110</u>

The above liabilities are liquidated by the general fund.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$45,165,000 of bonds outstanding are considered defeased.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**2. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***II. Indebtedness***

Capital Lease

On June 30, 2016, the District entered into an Energy Performance Contract which is accounted for as a capital lease. The leased assets and related obligations are accounted for in Capital Assets and Long-Term Debt, respectively. The following is a schedule of future minimum lease payments under this capital lease, together with the net present value of the minimum lease payments as of June 30, 2016:

<u>Year</u>	<u>Total</u>
2017	\$ -
2018	258,399
2019	344,531
2020	344,531
2021	344,531
Thereafter	<u>3,875,981</u>
Minimum capital lease payments	5,167,973
Less: amount representing interest	<u>925,989</u>
Present value of minimum lease payments	<u>\$ 4,241,984</u>

Maturity

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2016</u>
<u>Serial Bonds</u>				
Advanced refunding	2005	2017	3-4%	\$ 1,185,000
Construction	2007	2017	4.5-4.625%	210,000
Construction	2007	2017	4.125-4.25%	1,665,000
Construction	2010	2030	2.25-3.75%	2,860,000
Advanced refunding	2012	2021	2-4%	12,185,000
Advanced refunding	2012	2021	2-4%	6,210,000
Advanced refunding	2012	2022	2-4%	8,570,000
Advanced refunding	2015	2035	2.5-5%	15,890,000
Construction	2016	2030	2-5%	<u>18,374,224</u>
Total serial bonds				<u>\$67,149,224</u>
<u>Capital Lease</u>				
Energy performance contract	2016	2033	2.303%	<u>\$ 4,241,984</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**2. DETAIL NOTES ON ALL FUNDS**

***B. Liabilities***

***II. Indebtedness***

The following is a summary of maturing debt service requirements for general obligation bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 9,189,224	\$ 2,587,347	\$ 11,776,571
2018	8,200,000	2,259,997	10,459,997
2019	8,535,000	1,901,959	10,436,959
2020	8,835,000	1,529,344	10,364,344
2021	9,215,000	1,142,481	10,357,481
2022-2026	12,860,000	2,520,538	15,380,538
2027-2031	8,360,000	790,784	9,150,784
2032-2035	<u>1,955,000</u>	<u>124,550</u>	<u>2,079,550</u>
Total	<u>\$ 67,149,224</u>	<u>\$12,857,000</u>	<u>\$ 80,006,224</u>

***III. Constitutional Debt Limit***

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 10% of the full valuation of taxable real estate within the District. At June 30, 2016, the District has exhausted 24% of its constitutional debt limit.

***IV. Deferred Inflows of Resources***

Deferred inflows of resources on the Balance Sheet – Governmental Funds arise when a potential revenue does not match both the measurable and available criteria for recognition in the current period. The District has established a sixty day availability period.

**3. COMMITMENTS AND CONTINGENCIES**

***A. Risk Financing and Related Insurance***

General Information

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

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**3. COMMITMENTS AND CONTINGENCIES**

***A. Risk Financing and Related Insurance***

Workers' Compensation Insurance

The District is self-insured for workers' compensation costs, electing to pay 100% of claims incurred and related medical costs. The District has contracted with Glacier Bay LLC for third party administration.

All known claims filed and an estimate of all incurred but unreported claims existing at June 30, 2016 have been recorded as other liabilities. The District establishes workers compensation claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to the liability in the periods in which they are made.

As discussed above, the District establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the District during the past two years:

	<u>2016</u>	<u>2015</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ <u>1,814,425</u>	\$ <u>1,735,655</u>
Incurred claims and claim adjustment expenses:		
Provision for incurred claims expenditures for events of the current year	25,039	21,187
Increase (decrease) in provision for incurred events of prior years	<u>330,171</u>	<u>653,030</u>
Total incurred claims and claim adjustment expenses	<u>2,169,635</u>	<u>2,409,872</u>
Payments made for claims during the current year	<u>(405,700)</u>	<u>(595,447)</u>
Total unpaid claims and claim adjustment expenses at end of year	\$ <u>1,763,935</u>	\$ <u>1,814,425</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**3. COMMITMENTS AND CONTINGENCIES**

***A. Risk Financing and Related Insurance***

Health Insurance

The District is a member of the Capital Area Schools Health Insurance Consortium (the “Consortium”), which is a trust formed under New York State Law on May 1, 1994. The Consortium is considered a public entity risk pool which is defined as a cooperative group of governmental entities joining together to finance an exposure, liability or risk, and is tax-exempt under Section 501(c)(9) of the Internal Revenue Code. The Consortium is governed by a trust agreement and a board of trustees who execute the provisions of the Trust, as set forth in the agreement. The Consortium has contracted with Amsure Associates for third party administration.

The Consortium was formed to allow its member school districts to obtain health insurance and prescription drug benefits at lower cost through a pooled purchasing arrangement. The Consortium procures group insurance contracts with insurance carriers for medical, prescription drug and dental benefits, in which the Consortium is not liable for any medical, prescription drug or dental claims. However, the Consortium also maintains a self-insured prescription drug plan for which the individual Consortium members are liable for any claims in excess of the balances maintained by the Consortium. As of June 30, 2016, the District’s prescription drug plan account balance maintained by the Consortium is approximately \$888 thousand. The Consortium also maintains an account balance for the District of approximately \$1.558 million to fund supplemental premium payments that may be required under the retrospective funding arrangement in place for one of the insurance contracts.

The District has chosen to establish a self-funded prescription drug benefit program for all eligible employees. The pharmacy benefit manager, Blue Shield of Northeastern New York, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the General Fund of the District. At year-end, the District has a liability of \$0. With electronic claims submissions, all incurred claims are reported within two weeks, and have been included within the fiscal year’s claims, effectively representing reported and unreported claims which were incurred on or before year-end, but which were not paid by the District as of that date. Claims activity is summarized below for the past two fiscal years:

	<u>2015-16</u>	<u>2014-15</u>
Claims and Administration Fees	\$5,012,074	\$4,372,918
Claim Payments	(5,012,074)	(4,372,918)
Estimated Incurred but not reported as of June 30	-	-
Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>

***B. Collective Bargaining Units***

Bethlehem Central School District employees are represented by collective bargaining agents. Those agents which represent them and the dates of expiration of their agreements are as follows:

Teachers Association	June 30, 2020
United Employees Association	June 30, 2018
Principals Association	June 30, 2019

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**3. COMMITMENTS AND CONTINGENCIES**

*C. Other Items*

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

**4. POSTEMPLOYMENT BENEFITS**

*Plan Description*

The District administers postemployment benefits as a single-employer defined benefit plan (the Plan), through which retirees and their spouses receive benefits for the lifetime of the retired employee. The Plan provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

*Funding Policy*

The obligations of the Plan members, employers and other contributing entities are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when they retired and their applicable agreement. Required age at retirement and number of years of service also vary by employee contract or agreement. The District currently funds the plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2016, \$2,436,917 was paid on behalf of currently enrolled retirees.

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**4. POSTEMPLOYMENT BENEFITS**

*Actuarial Methods and Assumptions*

The actuarial valuation date is as of July 1, 2015. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

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

*Actuarial Methods and Assumptions*

The actuarial funding method used to calculate the costs of the Plan is known as the Projected Unit Credit Method. Under this method, the present value of each employee's future retiree health benefit claims costs is allocated over a portion of the employee's employment, the "attribution period." The attribution period for this group begins with the employee's date of employment and ends with the date on which the employee is expected to retire. The accrued liability for active employees is the portion of benefit liability attributed to service years to date. Normal cost is the amount of benefit liability attributed to the current employment year. Normal cost for retired employees is zero. The initial accrued liability is amortized over a 30-year period using the level dollar method. Actuarial gains and losses will be determined annually and amortized over a fixed 15-year period.

The following assumptions were used in the calculation: a) A 5% discount rate b) initial medical cost trend of 5%, c) mortality from RP 2000 Combined Mortality Table, d) retirement and termination rates used are those that are used in the NYS ERS and TRS pension fund valuations, e) initial per capita claims costs are based on the premium levels of the plans utilized; per capita costs for retired employees are based on current plan enrollment; per capita costs for future retirees are based on an assumption that the employee will enroll in the PPO plan at retirement. These assumptions have remained consistent with the previous year.

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**4. POSTEMPLOYMENT BENEFITS**

*Annual OPEB Cost and Net OPEB Obligation*

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

	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 10,179,669	\$ 9,656,056
Interest on OPEB obligation	2,438,302	2,056,165
Adjustment to ARC	<u>(1,826,512)</u>	<u>(1,540,257)</u>
OPEB expense	<u>\$ 10,791,459</u>	<u>\$ 10,171,964</u>
Net OPEB obligation at the beginning of the year	\$ 48,766,047	\$ 41,123,302
OPEB expense	10,791,459	10,171,964
Net OPEB contributions made during the fiscal year	<u>(2,436,917)</u>	<u>(2,529,219)</u>
Net OPEB obligation at the end of the year	<u>\$ 57,120,589</u>	<u>\$ 48,766,047</u>
Percentage of expense contributed	22.6%	24.9%

*Funded Status*

	<u>2016</u>
Actuarial accrued liability at end of year	\$ 134,025,003
Plan assets at end of year	-
Unfunded actuarial accrued liability	<u>\$ 134,025,003</u>
Percentage of funded accrued liability	0%

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding fiscal years is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/16	\$10,791,459	22.6%	\$57,120,589
6/30/15	\$10,171,964	24.9%	\$48,766,047
6/30/14	\$ 9,795,112	29.6%	\$41,123,302

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**5. DEFICIT FUND BALANCE**

The School Lunch Fund had a fund deficit of \$2,042. The District is developing a plan to address the deficit.

**6. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 6, 2016 which is the date these financial statements were issued. All subsequent events requiring recognition or disclosure as of June 30, 2016, have been incorporated into these financial statements herein.

**7. PRIOR PERIOD ADJUSTMENT OF THE STATEMENT OF NET POSITION**

For the fiscal year ended June 30, 2015 the District should have implemented GASB Statement No, 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*. The implementation of the Statement would have resulted in the reporting of deferred outflows of resources, and deferred inflows of resources related to the District's participation in the New York State Teachers' and Employees' Retirement Systems. As a result of not implementing this standard at June 30, 2015 the District's net position was incorrect at June 30, 2015. The District's net position was restated as follows:

Net Position beginning of year, as previously stated	\$ 24,071,325
Correction to beginning deferred outflow of resources for contributions subsequent to the measurement date:	
Teachers' Retirement System	5,230,838
Employees' Retirement System	<u>691,861</u>
Net position beginning of year, as restated	<u>\$ 29,994,024</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenues</b>				
Local Sources				
Real property taxes	\$ 57,841,506	\$ 57,841,506	\$ 57,803,038	\$ (38,468)
Other tax items	8,943,494	8,943,494	8,944,618	1,124
Charges for services	390,000	390,000	444,355	54,355
Use of money and property	215,000	215,000	259,135	44,135
Sale of property and compensation for loss	149,000	149,000	117,245	(31,755)
Miscellaneous	394,000	473,809	980,669	506,860
	<u>67,933,000</u>	<u>68,012,809</u>	<u>68,549,060</u>	<u>536,251</u>
Total Local Sources				
State sources	25,554,000	25,554,000	25,869,770	315,770
Federal sources	130,000	130,000	210,157	80,157
<b>Other Sources</b>				
Transfers from other funds	545,000	545,000	-	(545,000)
	<u>94,162,000</u>	<u>94,241,809</u>	<u>\$ 94,628,987</u>	<u>\$ 387,178</u>
Total Revenue and Other Sources				
<b>Other Financing Sources</b>				
Appropriated fund equity	433,287	433,287		
	<u>\$ 94,595,287</u>	<u>\$ 94,675,096</u>		
Total Revenues and Other Financing Sources				

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance With Actual and Encumbrances</u>
<b>Expenditures</b>					
<b>General Support</b>					
Board of education	\$ 29,650	\$ 33,950	\$ 29,836	\$ -	\$ 4,114
Central administration	258,902	261,702	250,644	-	11,058
Finance	844,431	790,091	723,201	-	66,890
Staff	540,315	595,465	568,641	-	26,824
Central services	5,677,545	5,656,669	5,406,512	35,367	214,790
Special items	655,784	835,677	832,491	-	3,186
<b>Total General Support</b>	<u>8,006,627</u>	<u>8,173,554</u>	<u>7,811,325</u>	<u>35,367</u>	<u>326,862</u>
<b>Instruction</b>					
Instruction, administration and improvement	3,579,982	3,578,982	3,246,483	13,302	319,197
Teaching - regular school	24,043,435	24,091,437	23,548,580	7,569	535,288
Programs for children with handicapping conditions	10,023,779	10,016,694	9,617,132	-	399,562
Occupational education	838,940	930,945	925,944	-	5,001
Teaching - special school	197,616	218,861	164,117	-	54,744
Instructional media	3,195,933	3,195,403	3,071,697	2,550	121,156
Pupil services	4,114,191	4,143,326	4,004,344	2,280	136,702
<b>Total Instruction</b>	<u>45,993,876</u>	<u>46,175,648</u>	<u>44,578,297</u>	<u>25,701</u>	<u>1,571,650</u>
<b>Other</b>					
Pupil transportation	6,066,650	6,028,649	5,281,381	-	747,268
Community services	61,192	61,192	57,930	-	3,262
Employee benefits	22,528,437	21,718,629	21,535,526	-	183,103
Debt Service - principal	9,184,000	9,364,000	9,364,000	-	-
Debt Service - interest	2,404,505	2,268,724	2,267,084	-	1,640
<b>Total Other</b>	<u>40,244,784</u>	<u>39,441,194</u>	<u>38,505,921</u>	<u>-</u>	<u>935,273</u>
<b>Total Expenditures</b>	<u>94,245,287</u>	<u>93,790,396</u>	<u>90,895,543</u>	<u>61,068</u>	<u>2,833,785</u>
<b>Other Financing Uses</b>					
Transfers to other funds	350,000	884,700	883,285	-	1,415
<b>Total Expenditures and Other Uses</b>	<u>\$ 94,595,287</u>	<u>\$ 94,675,096</u>	<u>\$ 91,778,828</u>	<u>\$ 61,068</u>	<u>\$ 2,835,200</u>
<b>Net Change in fund equity</b>					
Fund equity - beginning			\$ 2,850,159		
Fund equity - ending			<u>12,041,834</u>		
			<u>\$ 14,891,993</u>		

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR  
THE RETIREE HEALTH PLAN  
JUNE 30, 2016**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
07/01/15	\$ -	\$134,025,003	\$134,025,003	0%	\$43,405,000	308.8%
07/01/14	\$ -	\$125,139,501	\$125,139,501	0%	\$43,687,905	286.4%
07/01/13	\$ -	\$116,272,104	\$116,272,104	0%	\$41,155,606	282.5%
07/01/12	\$ -	\$109,349,623	\$109,349,623	0%	\$41,574,000	263.0%
07/01/11	\$ -	\$109,086,919	\$109,086,919	0%	\$40,076,000	272.2%

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
SCHEDULES OF PROPORTIONATE SHARE OF  
NET PENSION LIABILITY (ASSET)  
FOR THE YEAR ENDED JUNE 30, 2016**

	ERS Pension Plan Last 10 Fiscal Years	
	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0492035%	0.0491334%
Proportionate share of the net pension liability (asset)	\$ 7,897,294	\$ 1,659,847
Covered-employee payroll	\$ 14,129,297	\$ 13,438,468
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	56%	12%
Plan fiduciary net position as a percentage of the total pension liability	90.71%	97.90%

	TRS Pension Plan Last 10 Fiscal Years	
	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.200866%	0.201861%
Proportionate share of the net pension liability (asset)	\$ (20,863,576)	\$ (22,486,051)
Covered-employee payroll	\$ 30,172,800	\$ 29,818,005
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	-69%	-75%
Plan fiduciary net position as a percentage of the total pension asset	110.46%	111.48%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However until a full 10-year trend is compiled this presentation will only include information for those years for which information is available.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
SCHEDULES OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2016**

ERS Pension Plan  
Last 10 Fiscal Years

	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 2,360,540	\$ 2,635,119
Contributions in relation to the contractually required contribution	<u>2,360,540</u>	<u>2,635,119</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 14,129,297	\$ 13,438,468
Contributions as a percentage of covered-employee payroll	16.71%	19.61%

TRS Pension Plan  
Last 10 Fiscal Years

	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 4,083,988	\$ 5,012,353
Contributions in relation to the contractually required contribution	<u>4,083,988</u>	<u>5,012,353</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$30,172,800	\$29,818,005
Contributions as a percentage of covered-employee payroll	13.54%	16.81%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However until a full 10-year trend is compiled this presentation will only include information for those years for which information is available.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL  
BUDGET AND SCHEDULE OF THE SECTION 1318 OF REAL PROPERTY TAX  
LAW LIMIT CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2016**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$	94,162,000
Add: prior year's encumbrances		<u>433,287</u>
Original Budget		94,595,287
Additions:		
Budget amendments		<u>79,809</u>
Final Budget	\$	<u><u>94,675,096</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2016-17 voter-approved expenditure budget	\$	96,540,000
Maximum allowed 4% of 2016-17 budget		3,861,600
General Fund Fund Equity Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted Fund Equity:		
Assigned fund equity	\$	61,068
Unassigned fund equity		<u>3,641,047</u>
Total Unrestricted Fund Equity	\$	<u><u>3,702,115</u></u>
Less:		
Encumbrances included in assigned fund equity		<u>61,068</u>
Total Adjustments	\$	<u><u>61,068</u></u>
General Fund fund equity subject to Section 1318 of Real Property Tax Law	\$	<u><u>3,641,047</u></u>
Actual percentage		<u><u>3.77%</u></u>



**BETHLEHEM CENTRAL SCHOOL DISTRICT  
NET INVESTMENT IN CAPITAL ASSETS  
JUNE 30, 2016**

<b>Capital Assets, Net</b>		\$ 130,976,303
<b>Add:</b>		
Cash held by the capital projects fund		4,342,468
<b>Deduct:</b>		
Bond anticipation note	\$ 2,400,000	
Short-term portion of bonds payable	9,189,224	
Long-term portion of bonds payable	57,960,000	
Premium on bonds	1,989,019	
Capital leases	4,241,984	
		<u>75,780,227</u>
<b>Net Investment in Capital Assets</b>		<u>\$ 59,538,544</u>

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

Kevin J. McCoy, CPA  
Thomas W. Donovan, CPA  
Frank S. Venezia, CPA  
James E. Amell, CPA  
Carol A. Hausamann, CPA  
Daniel J. Litz, CPA  
Karl F. Newton, CPA  
Kevin P. O'Leary, CPA  
Timothy A. Reynolds, CPA  
Heather R. Lewis, CPA  
Heather D. Patten, CPA

To the President and Members of the Board of Education  
Bethlehem Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Bethlehem Central School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 6, 2016.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **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.

*Marvin and Company, P.C.*

Latham, NY

October 6, 2016

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
SINGLE AUDIT  
SUPPLEMENTARY FINANCIAL REPORT  
JUNE 30, 2016**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY  
THE UNIFORM GUIDANCE**

Kevin J. McCoy, CPA

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Heather D. Patten, CPA

To the President and Members  
of the Board of Education of  
Bethlehem Central School District

**Report on Compliance for Each Major Federal Program**

We have audited the Bethlehem Central School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of 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.

***Auditor's Responsibility***

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

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

## **Opinion on Each Major Federal Program**

In our opinion, the Bethlehem Central 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 Bethlehem Central 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities and each major fund of the Bethlehem Central School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 6, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Marvin and Company, P.C.*

Latham, NY

October 6, 2016

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Passed Through To Subrecipient</u>	<u>Total Federal Expenditures</u>
<b><u>U.S. Department of Education</u></b>				
Passed Through New York State Education Department:				
Special Education Cluster				
Special Education - Grants to States	84.027	0032-16-0017		\$ 865,512
Special Education Preschool Grants	84.173	0033-16-0017		<u>30,301</u>
Total Special Education Cluster				<u>895,813</u>
Title I Grants to Local Educational Agencies	84.010	0021-16-0015		240,393
Title I Grants to Local Educational Agencies	84.010	0021-15-0015		7,934
Improving Teacher Quality State Grants	84.367	0147-16-0015		46,724
Improving Teacher Quality State Grants	84.367	0147-15-0015		31,274
Migrant Education - State Grant Program	84.365	0293-16-0015		18,046
Migrant Education - State Grant Program	84.365	0293-15-0015		<u>8,168</u>
Total U.S. Department of Education				<u>1,248,352</u>
<b><u>U.S. Department of Agriculture</u></b>				
Passed Through New York State Education Department:				
Child Nutrition Cluster				
National School Lunch Program	10.555	Not Applicable		140,493
School Breakfast Program	10.553	Not Applicable		1,779
Food Distribution	10.555	Not Applicable		<u>51,557</u>
Total Child Nutrition Cluster				193,829
Total U.S. Department of Agriculture				<u>193,829</u>
Total Expenditures of Federal Awards				<u>\$ 1,442,181</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2016**

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the District financial statements. Federal awards that are included in the Schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies.

The information presented in the 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). This Schedule only presents a selected portion of the operations of the District.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

The federal expenditures are recognized, as applicable, either under the cost principles in OMB Circular A-133, *Compliance Supplement*, or the cost principles contained in the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

**3. SCOPE OF AUDIT**

The Bethlehem Central School District is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

**4. NON-CASH ASSISTANCE**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2016, the District received food commodities totaling \$51,557.

**5. INDIRECT COST RATE**

The Bethlehem Central School District did not elect to use the 10% de minimus cost rate, because the major program (84.027 and 84.173) is exempt from the provisions of the OMB cost principles.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District's policy is not to charge federal award programs with indirect costs.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes    X no
- Significant deficiency(ies) identified? \_\_\_yes    X none reported

Noncompliance material to financial statements noted? \_\_\_yes    X no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes    X no
- Significant deficiency(ies) identified? \_\_\_yes    X none reported

Type of auditor's 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 programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 and 84.173	Special Education Program Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes    \_\_\_no

**Section II: Financial Statement Findings**

*Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:*

None

**Section III: Federal Award Findings and Questioned Costs**

*Findings and questioned costs related to Federal awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):*

None

**Phyllis L. Albano**  
Treasurer / Business Administrator  
palbano@bcsd.neric.org

## **Bethlehem** Central School District

<http://bethlehemschools.org>



TO: Jody Monroe, Superintendent  
Audit Committee Members

FROM: Phyllis L. Albano, Treasurer / Business Administrator

COPY: Judith E. Kehoe, Chief Business and Financial Officer

DATE: September 26, 2016

SUBJECT: Response to Management Letter from Independent Auditors for Fiscal year Ended June 30, 2016

This memo is in response to the recommendations contained within the management letter from the independent auditors. We appreciate the suggestions for improvement and plan to implement each of the recommendations. Each finding is specifically addressed below:

### **ECA Club Ledgers**

The Auditor recommended that the faculty advisors and students understand their responsibility to prepare and keep a ledger separate from the Central Treasurer to ensure accuracy and minimize errors and to ensure that cash receipts are remitted in a timely fashion to the Central Treasurer, then to the bank.

The Business Office has scheduled training to be provided by the District's Internal Auditor to the Faculty Advisors and Central Treasurers in October 2016. This training will provide an overview of the duties of the ECA club officers to ensure that they are aware of their responsibilities, and will specifically address the requirement (and importance) that separate ledgers are to be maintained by each of the clubs and cash receipts are to be remitted timely.



## **ECA Cash Receipts**

The Auditor recommended that cash be deposited as soon as reasonably possible, preferably within two weeks after receiving the funds, that supporting documentation for cash receipts including deposit slips and reconciling ledger be maintained, and that pre-numbered cash receipts slips be used to increase tracking and accountability.

The District, as part of the training, will ensure that Faculty Advisors and Central Treasurers are reminded that cash receipts must be supported and deposited timely. Due to the number of cash receipt transactions for each of the forty nine ECA clubs, it is not practical to have consecutively pre-numbered receipts issued to each club. However, we will address the internal controls associated with all aspects of cash receipts including collecting and maintaining adequate documentation to support each receipt, as well as the recording and timely depositing of all funds.

## **ECA Cash Disbursements**

The Auditor recommended that student treasurers prepare and sign-off on all disbursement requests. The Auditor also recommended that emphasis be placed on the importance of having documented physical evidence of an expenditure on behalf of the club. Additionally, the Central Treasurer should strictly enforce this guideline. In the event that receipts, invoices, or other evidence is impractical or impossible to produce, documentation should be prepared detailing the circumstances and signed by the Central Treasurer, authorized check signer, student treasurer, and faculty advisor. Lastly, the Auditor recommended that inactive clubs become active again or that the balances of these clubs be transferred to an active club where the student interest is greater.

The District, as part of the training, will ensure that Faculty Advisors are aware that all disbursements requests must be signed by the Student Treasurer and Faculty Advisor along with documentation to support the request. We will also communicate that the Central Treasurer should enforce this guideline and return any disbursement request that does not have the required signatures and documentation. Lastly, we will inform the ECA Central Treasurer and Building Principal that any leftover funds of inactive accounts should revert to the account of the general student organization as per the ECA Funds regulation, adopted by the Board of Education.

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUND  
FINANCIAL REPORT  
JUNE 30, 2016**

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUND**

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## INDEPENDENT AUDITOR'S REPORT

Kevin J. McCoy, CPA  
Thomas W. Donovan, CPA  
Frank S. Venezia, CPA  
James E. Amell, CPA  
Carol A. Hausamann, CPA  
Daniel J. Litz, CPA  
Karl F. Newton, CPA  
Kevin P. O'Leary, CPA  
Timothy A. Reynolds, CPA

To the President and Members of  
the Board of Education of the  
Bethlehem Central School District

### Report on the Financial Statement

We have audited the accompanying statement of cash receipts, disbursements and cash balances of the extraclassroom activity fund of Bethlehem Central School District, as of and for the year ended June 30, 2016, and the related note to the financial statement.

### Management's Responsibility for the Financial Statement

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

### Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

## **Opinion**

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts, disbursements and cash balances of the extraclassroom activity fund of Bethlehem Central School District as of and for the year ended June 30, 2016, in accordance with the cash basis of accounting described in Note 1.

## **Basis of Accounting**

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

*Marvin and Company, P.C.*

Latham, NY  
October 6, 2016

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
EXTRACLASROOM ACTIVITY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CASH BALANCES  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

<u>Activities and Clubs</u>	<u>Balance July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2016</u>
<b>High School</b>				
100 Student Senate	\$ 37,334	\$ 6,808	\$ 3,679	\$ 40,463
108 Buy It School Store	11,697	13,353	11,472	13,578
109 Oriole Yearbook	10,213	29,354	29,513	10,054
113 Key Club	3,060	4,917	2,732	5,245
114 Speech & Debate	820	-	147	673
116 Thinking Reed	7,785	2,080	3,300	6,565
119 Peer Helpers	334	1,078	1,048	364
120 SADD	146	255	185	216
126 Stage 700	24,328	20,080	20,385	24,023
129 STDS/Peace/Surv.	1,364	7,755	7,811	1,308
131 Masterminds	1,639	-	343	1,296
132 International Club	179	-	109	70
133 Sci Olympiad	297	2,317	2,221	393
134 Environmental Club	3,254	2,820	4,980	1,094
135 Spanish Club	732	3,156	3,659	229
137 Gay-Straight Alliance	348	393	534	207
139 Shakespeare -TWON	6,880	12,881	7,465	12,296
144 Art Alliance	313	-	-	313
152 Best Buddies	574	479	100	953
155 FBLA	320	45	-	365
215 Class of 2015	4,265	-	4,265	-
216 Class of 2016	2,663	43,281	45,876	68
217 Class of 2017	-	35,124	23,838	11,286
<b>Total High School</b>	<u>\$ 118,545</u>	<u>\$ 186,176</u>	<u>\$ 173,662</u>	<u>\$ 131,059</u>
<b>Middle School</b>				
100 Student Council 8	\$ 16,043	\$ 8,899	\$ 16,239	\$ 8,703
105 Student Council 7	577	-	161	416
106 Mohawk 7 (1)	253	17,183	17,837	(401)
107 Patroon 7 (1)	518	5,701	5,203	1,016
109 Sports Club	3,022	4,836	2,694	5,164
110 Student Council 6	1,057	902	1,335	624
112 Mohawk 6 (1)	997	4,035	4,080	952
114 Patroon 6 (1)	331	3,910	3,586	655
116 Stage 332	38,224	18,960	13,889	43,295
118 BCMS Student Support Club	4,373	687	2,733	2,327
120 BCSM SADD	730	1,257	1,235	752
125 Yearbook	7,367	7,597	7,366	7,598
126 Builders Club	1,043	5,165	4,842	1,366
128 Library Club	2,285	5,983	6,887	1,381
130 Junior Chef Club	49	524	549	24
132 Patroon 7 (2)	997	6,686	7,059	624
134 Patroon 6 (2)	374	6,855	6,773	456
140 Character Education	-	5,570	5,047	523
138 School Store	619	378	336	661
147 Newspaper	39	3,202	3,181	60
149 Garden Club	40	6,682	5,027	1,695
152 Reach Out Club	1,034	-	-	1,034
154 Recycling Club	1,218	-	1,218	-
156 Staged Creations	11,063	3,128	3,312	10,879
180 French Spanish Club	578	50	-	628
182 Mohawk Science club	-	200	200	-
<b>Total Middle School</b>	<u>\$ 92,831</u>	<u>\$ 118,390</u>	<u>\$ 120,789</u>	<u>\$ 90,432</u>

The June 30, 2016 cash balance is as follows:

High School	\$ 131,059
Middle School	90,432
<b>Total</b>	<u>\$ 221,491</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUND  
NOTE TO FINANCIAL STATEMENT  
JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The extraclassroom activity fund of the District represents funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity fund is independent of the District with respect to its financial transactions, and the designation of student management. Separate financial statements are issued for this fund. The District also reports this fund in its basic financial statements, within the Agency Fund.

The accompanying financial statement of the Bethlehem Central School District's extraclassroom activity fund has been prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of receivables outstanding from fund-raising activities and obligations for expenses unpaid at the date of the financial statement are not included in the financial statement.