

Pelham Union Free School District, New York

Financial Statements and
Supplementary Information

Year Ended June 30, 2015

Pelham Union Free School District, New York

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Independent Auditors' Report

**The Board of Education of the
Pelham Union Free School District, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pelham Union Free School District, New York ("School District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2015, and the respective changes in financial position, thereof, and the respective budgetary comparison for the General and Special Aid funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

O'CONNOR DAVIES, LLP

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Emphasis of Matter

We draw attention to Note 2,D and Note 3,D in the notes to financial statements which disclose the effects of the School District's adoption of the provisions of GASB Statement Nos. 68 "*Accounting and Financial Reporting for Pensions*" and 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133 Audits of State, Local Governments and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2015 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
September 3, 2015

Pelham Union Free School District, New York

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2015

This discussion and analysis of the Pelham Union Free School District's (District) financial performance provides a narrative overview and analysis of the district's financial activities for the year ended June 30, 2015. It should be read in conjunction with the basic financial statements, which immediately follow this section, to enhance understanding of the district's financial performance.

Financial Highlights for FY 2014-2015

Key financial highlights for fiscal year 2014-2015 are as follows:

- The amount of unassigned fund balance that can be retained in the General Fund is limited to 4% of the ensuing year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$2,806,187 or 4% of the 2015-2016 school year budget of \$70,154,600 and thus within the statutory limit.
- As of June 30, 2015, the District's governmental fund financial statements report a combined ending fund balance of \$20,421,383, an increase of \$238,426 from the prior year. The General Fund's unassigned fund balance of \$2,806,187 (the only portion of the combined fund balance of \$20,421,383 that is not classified as nonspendable, restricted or assigned) represents approximately 14% of this total. The remaining General Fund fund balance consists of:
 - Nonspendable fund balance related to prepaid expenses, inventories and endowment funds;
 - Restricted fund balance, such as reserves for tax certiorari settlements and the fund balance in the Capital and Debt Service Funds; and
 - Assigned fund balance including encumbrances and appropriations for the ensuing year's budget.

The combined fund balance includes monies restricted and assigned for Debt Service of \$2,714,321, which will be used to meet the District's future debt service obligations and a restricted Capital Projects Fund fund balance of \$400,486, essentially the amount remaining to complete the \$800,000 Safety & Security Project begun in 2013-2014. Exclusive of the Debt Service and Capital Projects funds, the combined ending fund balances are \$17,306,576.

- For 2014-15 and 2015-16, the District budgeted \$1,386,000 and \$950,000, respectively, as an appropriated surplus contribution to fund the budget.
- On the district-wide financial statements (which include the District's net Capital Assets, Other Post-Employment Benefits and the District's proportionate share of pension assets/liabilities), the assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at June 30, 2015 by \$19,303,486. The District's total net position reflects an increase of \$7,005,694 for the year ended June 30, 2015 comprised of \$1,087,964 generated from operations and \$5,917,730 representing the cumulative effect of a change in accounting principle as a result of the required adoption of Governmental Accounting Standards Board ("GASB") Statement No. 68 in 2014-15. The district-wide financial statements must report certain items in accordance with the pronouncements of the GASB. The GASB is charged with developing the accounting rules that apply to governments, including school districts and BOCES. GASB Statement No. 68 requires the District to include in its district-wide financial statements its proportionate share of the net pension liability or asset of the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). At June 30, 2015, the School District reported in its Statement of Net Position a liability of \$568,767 for its

proportionate share of the ERS net pension liability, while also reporting a pension asset of \$23,560,065 for its proportionate share of the TRS net pension asset. More detailed information about the School District's pension plan reporting in accordance with the provisions of GASB Statement No. 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in note 3, D in the notes to financial statements.

- Also reflected in the district-wide financial statements is the recognition of other post-employment benefit ("OPEB") obligations under the provisions of GASB Statement No. 45. These obligations include any benefits provided to retirees, other than pension, including health insurance, life insurance, vision, dental, etc. GASB Statement No. 45 establishes standards for accrual based measurement and recognition of OPEB expenses over periods that approximate employees' years of active service, as well as the required note disclosures. For the year ending June 30, 2015, the District's OPEB obligations of \$27,148,267 are reflected as a liability on the district-wide financial statements. More detailed information about the School District's OPEB reporting in accordance with the provisions of GASB Statement No. 45 is presented in note 3, E in the notes to financial statements.
- At the fund level, the General Fund, used to account for the District's budget, reflected actual revenue & other financing sources for 2014-15 of \$67,689,044 which exceeded expenditures of \$67,088,751 by \$600,293. This operating surplus resulted in an increase to the General Fund fund balance by the same amount in 2014-15.
- The Debt Service Fund, used for the payment of principal and interest payments on the District's outstanding bond issuances, reflected a reduction in fund balance of approximately \$70,000 in 2014-15. This reduction consisted of an appropriation of \$150,000 to support the operating budget and \$114,400 in debt service payments paid directly from the Fund, as offset by a transfer in from the Capital Projects Fund of \$193,589 for unspent proceeds from completed projects.
- The 2014-2015 school year enrollment was 2,800 students, a decline of 13 students from the 2013-2014 enrollment of 2,813. Enrollment is projected to increase to 2,827 students for 2015-2016.
- During 2014-2015, the District continued work on the \$800,000 district-wide safety and security improvement project and completed the small façade repair project at the High School.
- There were no debt issuances during 2014-15. The District entered into an installment purchase agreement for grounds equipment for approximately \$52,000 in 2013-14. Of this amount, \$17,405 was paid in both 2013-14 and 2014-15, with the remaining payment to be made in 2015-16.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) district-wide financial statements, (2) fund financial statements and (3) notes to financial statements. This report also contains combining and individual fund statements and schedules in addition to the basic financial statements.

District-Wide Financial Statements

- The *district-wide financial statements* are designed to provide readers with a broad overview of the district's finances, in a manner similar to a private-sector business.
 - The *statement of net position* presents information on all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time,

increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

- The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- The *governmental* activities of the District include instruction, pupil transportation, community services, cost of food sales, interest and general administrative support.

The district-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.
- *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.
 - Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.
 - The District maintains seven individual governmental funds: General Fund, Special Aid Fund, Capital Projects Fund, Debt Service Fund, School Lunch Fund, Special Purpose Fund and Permanent Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Special Aid, Capital Projects and Debt Service funds, which are considered to be major funds. Data for the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.
 - The district adopts an annual budget for its General and Special Aid funds. A budgetary comparison statement has been provided for the General and Special Aid funds within the basic financial statements to demonstrate compliance with the respective budget.
- The *Fiduciary Funds* are used to account for assets held by the district in an agency capacity on behalf of others. Fiduciary funds are not reflected in the district-wide financial statement because the resources of these funds are not available to support the district's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statements section of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to financial statements can be found following the basic financial statements section of this report.

District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the district's financial position. This MD&A includes a summary of two district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

As shown in the table below, the District's assets exceeded liabilities by \$19,303,486 as of June 30, 2015.

Net Position			
	June 30,		%
	2015	2014	Change
Current Assets	\$ 51,725,134	\$ 27,937,828	85%
Capital Assets, net	52,604,543	55,035,740	-4%
Total Assets	104,329,677	82,973,568	26%
Deferred Outflows of Resources	6,505,364	641,151	915%
Current Liabilities	8,158,692	8,193,931	0%
Long-Term Liabilities	67,187,199	63,122,996	6%
Total Liabilities	75,345,891	71,316,927	6%
Deferred inflows of Resources	16,185,664	-	0%
Net Position			
Net Investment in Capital Assets	13,933,045	14,209,046	-2%
Restricted for			
Capital Projects	400,486	1,208,587	-67%
Tax Certiorari	4,113,890	3,910,433	5%
Retirement Contributions	3,342,767	4,164,068	-20%
Debt Service	2,714,321	2,782,285	-2%
Property Damage	36,245	36,212	0%
Unemployment Benefits	152,681	152,544	0%
Repairs	680,041	-	n/a
Trusts	890,505	465,301	91%
School Lunch	257,956	170,324	51%
Unrestricted	(7,218,451)	(14,801,008)	-51%
Total Net Position	\$ 19,303,486	\$ 12,297,792	57%

The largest component of the district's net position is its investment in capital assets, less related outstanding debt used to acquire those assets. The School District uses these capital assets to provide services to the students and, consequently, these assets are not available for future spending.

Although the district's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

There is a negative balance for unrestricted net assets of \$7,218,451 which is the result of recognizing OPEB liabilities, as offset by the positive effects of recognizing the District's net pension asset under GASB 68. Overall, net position increased by \$7,005,694 from the prior year, comprised largely of the effect of adopting GASB 68 of \$5,917,730.

Changes in Net Position

	June 30,		%
	2015	2014	Change
REVENUES			
Program Revenues			
Charges for Services	\$ 1,946,676	\$ 1,847,389	5%
Operating Grants and Contributions	2,210,211	2,007,907	10%
Capital Grants and Contributions	2,847	6,970	-59%
Total Program Revenues	4,159,734	3,862,266	8%
General Revenues			
Real Property Taxes	53,508,438	52,304,034	2%
Other Tax Items	4,646,354	4,746,866	-2%
Non-Property Taxes	644,411	632,803	2%
Unrestricted Use of Money and Property	14,911	25,005	-40%
Sale of Property and Compensation of Loss	16,099	24,385	-34%
Unrestricted State Aid	6,564,312	5,583,627	18%
Contributed Land Improvements	-	1,303,550	-100%
Miscellaneous	234,050	259,082	-10%
Total General Revenues	65,628,575	64,879,352	1%
Total Revenues	69,788,309	68,741,618	2%
PROGRAM EXPENSES			
General Support	8,790,898	10,153,850	-13%
Instruction	56,032,689	59,170,243	-5%
Pupil Transportation	1,030,472	1,042,779	-1%
Community Services	395,938	452,029	-12%
Cost of Food Sales	607,152	707,557	-14%
Other	302,517	315,469	-4%
Interest	1,540,679	1,643,572	-6%
Total Expenses	68,700,345	73,485,499	-7%
Change in Net Position	1,087,964	(4,743,881)	-123%
NET POSITION			
Beginning, as reported	12,297,792	17,041,673	-28%
Cumulative Effect of Change in Accounting Principle	5,917,730	-	n/a
Beginning, as restated	18,215,522	17,041,673	
Ending	\$ 19,303,486	\$ 12,297,792	57%

As seen above, governmental activities and the cumulative effect of adopting GASB 68 resulted in an increase to the district's net position of \$7,005,694 during the current fiscal year. Also noteworthy is the impact of the requirements of GASB Statement No. 45 which requires recognition of OPEB expenses of \$5,569,431 for the year ended June 30, 2015. Other significant changes in these activities are as follows:

Revenues

- Real Property Taxes, excluding STAR, increased by \$1,204,404. The growth in the annual Real Property Tax levy, including STAR, is limited by the "Tax Levy Limitation Law" enacted in 2011 which stipulates that the levy of a school district cannot increase by more than the lesser of two percent or the annual increase in the consumer price index. The 2014-2015 property tax levy increase over the prior year was 1.93% which was the same as the allowable levy increase for Pelham.
- Other Tax Items include reimbursements received for the School Tax Relief Reimbursement Program ("STAR").
- Non-Property Taxes consists of the sales tax allocation from Westchester County.
- Unrestricted State Aid, comprised largely of Basic Formula Aid, Lottery Aid, BOCES Aid and Building Aid, allocated to the district increased by \$980,685 or 18% from the prior year amount. The majority of this increase is attributable to restoration of over \$600,000 of the Gap Elimination Adjustment (GEA) during 2014-15.

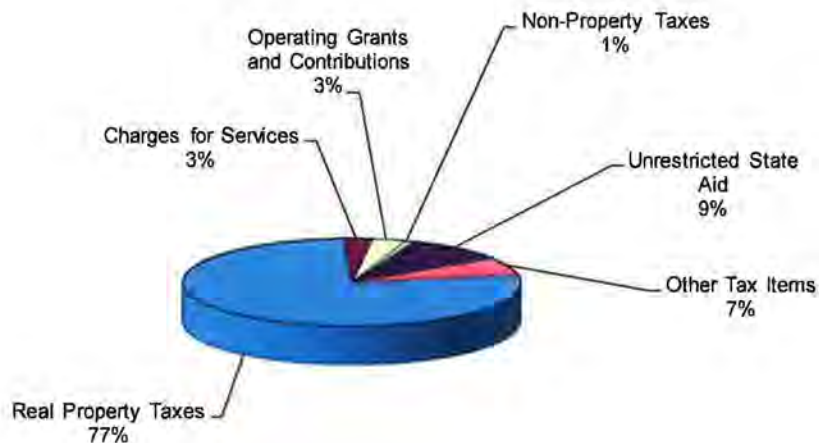
Expenses

Overall, Government-wide expenses decreased by \$4.8 million across all funds due largely to the impact of adopting GASB 68. Without the effects of GASB 68, Instructional Expenses would have reflected an increase due to mandated pension costs, increased unfunded OPEB contributions and one-time retirement incentive costs which yielded 14 employee retirements as of June 30, 2015.

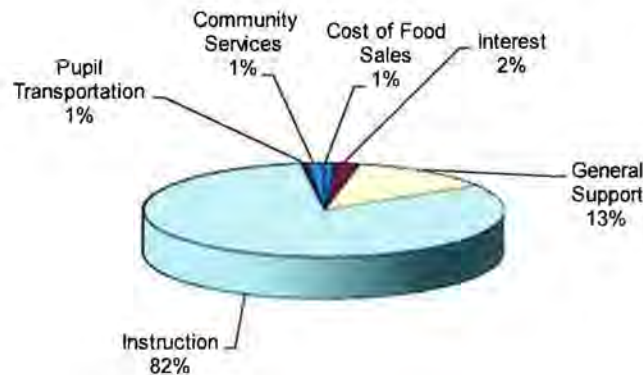
The General Support category reflects a decrease due to lower tax certiorari claims paid in 2014-15 and reduced facilities expenses. All other expense categories remained relatively consistent from the prior year.

As indicated on the graphs below, the district relied upon real property taxes for 77% of its revenue in 2014-2015. The district's instruction costs accounted for 82% of its expenses in 2014-2015.

**Sources of Revenue for Fiscal Year 2014-2015
Governmental Activities**



Expenses for Fiscal Year 2014-2015 Governmental Activities



Financial Analysis of the School District's Funds

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

Fund Balance Reporting

GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", in February 2009. The requirements of GASB 54 became effective for financial statements for the District's fiscal period ended June 30, 2012 and designate the following classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications follows below.

Nonspendable - consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale and principal of endowments.

Restricted - consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed - consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

Assigned - consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned - represents the residual classification for the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

These changes were made to reflect spending constraints on resources, rather than availability for appropriations and to bring greater clarity and consistency to fund balance reporting. This pronouncement was designed to improve the usefulness of fund balance information.

Governmental Funds

The focus of the district's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a school district's net resources available for discretionary use as it represents the only portion of fund balance which has not been limited to use for a particular purpose by either an external party, the District itself, or an individual that has been delegated authority to assign resources for use for particular purposes by the Board of Education.

As of June 30, 2015, the combined fund balances for the district's governmental funds totaled \$20,421,383, an increase of \$238,426 from the prior year.

General Fund Budgetary Highlights

The General Fund is the primary operating fund of the district. The adopted budget for fiscal year 2014-15 of \$69,492,202 was increased by \$1,011,727 as a result of prior year encumbrances of \$951,790 and appropriations from the tax certiorari reserves for tax certiorari payments made in 2014-15 of \$59,937. During the fiscal year, appropriation transfers within the budget were made to address the operational needs of the district. The final adjusted budget for the fiscal year ending June 30, 2015 was \$70,503,927.

Revenues and Other Financing Sources exceeded the final budget by \$282,842, due largely to favorable variances in tuition revenue of approximately \$330,000; State Aid of \$300,000, including a \$100,000 special legislative grant which was fully expended in 2014-2015 for technology initiatives and other specified purposes; and favorable variances in non-property taxes and miscellaneous receipts. These favorable variances were partially offset by lower than budgeted transfers in from the Debt Service Fund of \$550,000.

On the expenditure side of the budget, a positive variance of \$3,415,179, inclusive of encumbrances as of June 30, 2015, was realized largely in central services for planned projects which were not completed. Favorable variances were also reflected in instructional salaries and employee benefits.

The combined effects of these favorable budget variances produced a budgetary surplus of \$3,698,021 for the fiscal year ended June 30, 2015. This budgetary surplus became a component of the General Fund fund balance which consists of nonspendable, restricted, assigned and unassigned balances as discussed under "Financial Highlights for FY 2014-2015" and was allocated for current year encumbrances, appropriations for the ensuing year's budget, changes in reserve funds, etc.

The General Fund's actual "revenue & other financing sources" for 2014-15 of \$67,689,044 exceeded actual expenditures of \$67,088,751 by \$600,293, creating an operating surplus which increased the General Fund fund balance by this same amount in 2014-15.

At the end of the current fiscal year, the total fund balance of the General Fund was \$16,158,115 of which \$2,806,187 was classified as unassigned fund balance, representing 4% of the ensuing year's budget. As previously mentioned, New York State Law limits the amount of unassigned fund balance that can be retained to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget.

The table on the following page outlines the various balances that comprise the total fund balance as of June 30, 2015 and 2014 according to their GASB Statement No. 54 classifications. More detailed information about the district's fund balance is presented in note 3, H. in the notes to financial statements.

Total Fund Balance Classifications

GASB Statement No. 54 Classification		Fund Balance June 30,	
		2015	2014
Nonspendable Fund Balance:	Prepaid expenditures	\$ 1,310,840	\$ 1,284,147
	Inventories	1,480	6,533
	Trust-Permanent fund	592,839	30,375
	Total Nonspendable Fund Balance	1,905,159	1,321,055
Restricted Fund Balance:	Tax certiorari reserves	4,113,890	3,910,433
	Employee benefit accrued liability reserve	208,492	192,935
	Retirement contribution (ERS) reserve	3,342,767	4,164,068
	Property damage reserve	36,245	36,212
	Repairs	680,041	-
	Unemployment benefits reserve	152,681	152,544
	Debt service	2,339,321	2,082,285
	Capital projects	400,486	1,207,225
	Special purpose	294,126	431,489
	Permanent fund	3,540	3,437
	Total Restricted Fund Balance	11,571,589	12,180,628
Assigned Fund Balance:	Purchases on Order		
	General Government Support	1,420,950	721,825
	Instruction	194,778	62,976
	Community Services	116,244	166,990
	School lunch fund	256,476	163,791
	Appropriated for subsequent year's expenditures	2,150,000	2,786,000
	Total Assigned Fund Balance	4,138,448	3,901,582
Unassigned Fund Balance		2,806,187	2,779,692
Total Fund Balance, as of June 30		\$ 20,421,383	\$ 20,182,957

Capital Assets

At June 30, 2015, the district had capital assets of \$52,604,543, net of accumulated depreciation, invested in a broad range of capital assets, including land, construction in progress, buildings and improvements, land improvements and machinery and equipment. The change in capital assets, net of accumulated depreciation, is presented below and includes comparative balances from the prior year.

Class	June 30,		% Change
	2015	2014	
Land	\$ 2,167,650	\$ 2,167,650	0%
Construction in Progress	398,153	105,567	277%
Buildings and Improvements	48,061,029	50,650,181	-5%
Land Improvements	1,768,994	1,873,938	-6%
Machinery and Equipment	208,717	238,404	-12%
Total Capital Assets, net of accumulated depreciation	<u>\$ 52,604,543</u>	<u>\$ 55,035,740</u>	<u>-4%</u>

The net decrease in capital assets during the current fiscal year results primarily from depreciation expense recorded in 2014-2015 of \$3,121,161, as partly offset by net capital asset additions of \$689,964. The capital asset additions consist principally of building improvement projects completed or in progress during 2014-15.

More detailed information about the district's capital assets is presented in note 3, B. in the notes to financial statements.

Long-Term Debt

The district had general obligation and other long-term debt outstanding as follows:

	June 30,		% Change
	2015	2014	
Bonds Payable	\$ 39,244,249	\$ 41,433,037	-5%
Compensated Absences	208,492	192,935	8%
Installment Purchase Debt	17,404	34,808	-50%
Net Pension Liability	568,787	-	n/a
Other Post Employment Benefit Obligations	27,148,267	21,462,216	26%
Total	<u>\$ 67,187,199</u>	<u>\$ 63,122,996</u>	<u>6%</u>

More detailed information about the district's long-term liabilities is presented in note 3,D, in the notes to financial statements.

Conclusion

The district remains financially solid. In spite of the uncertain economic times, rising personnel costs, additional State Education Department mandates, and ambitious educational goals, the district is prepared to meet future challenges. It has established the educational, financial, and human resources necessary to remain a stable and strong entity ready to serve the school-aged children of the Pelham community with an educational plan that provides academic rigor and high standards for all.

Further, the district has benefitted from several recent favorable events which will have continued future economic benefit for the district:

- the recent restoration of substantially all the Gap Elimination Adjustment deduct from State Aid;
- the recent teacher contract negotiations which yielded a salary freeze for 2014-15, as well as past favorable contract settlements with other units which resulted in salary freezes for certain years;
- the retirement of 11 seasoned teaching personnel as of June 30, 2015; and
- a decrease in employer pension contribution rates which had been steadily increasing since 2009-2010.

This district Administration and Board of Education monitor its fiscal health through analyses of monthly financial reports and the utilization of various audits. These analyses and audits assist in identifying areas of potential financial stress, in developing realistic budgets that serve the academic and emotional needs of students, and in making informed decisions when faced with important financial choices.

The district is subject to audit by several entities: a claims auditor, an internal auditor, an external auditor, and State auditors. Each has an important role in reviewing the financial stability of the district and assisting the Board of Education in upholding its fiduciary responsibility to its community. Each audit conducted in 2014-15 indicated that the district's financial operations are in compliance with state laws and/or existing Board of Education policies and administrative regulations. The audited financial statements that follow reflect relevant data pertaining to the overall financial position of the district as of and for the year ended June 30, 2015.

Effective internal controls are in place across the District. Further, the District goes through a rigorous budget process which yields a spending plan each year which must be approved by the Board of Education and resident voters.

As with all governmental entities, the district depends heavily on its real property taxes, which represent approximately 77% of its revenue. Despite many unfunded mandates and the tax cap legislation imposed on it, the District required a tax rate increase of only 1.93% for the 2014-2015 fiscal year. At the same time, the District's share of State Aid is expected to increase only modestly, reflecting the sustained economic difficulties that the region and State are experiencing. The challenge of presenting a fiscally responsible budget while meeting the varied educational needs of its student population will continue to require effective and efficient management of district operations now and in future years.

The tax cap under which all school districts and municipalities in New York State operate has dramatically impacted the financial operations of all NYS governmental entities. With the majority of any governmental unit's revenue being provided by taxes, the tax cap places a hard ceiling on revenue increases thereby limiting expense growth and requiring staff reductions and program changes. By legislatively limiting the revenue side of the budget, while concurrently enacting mandates which translate to expense increases, NYS has created a financial model that is not sustainable, especially in an environment in which the consumer price index, a significant factor in the tax cap formula, hovers near 0%. Consideration must be given to enacting legislative changes to allow for fair labor negotiations, limiting pension cost increases and addressing the stringent state mandates on services to students that in many cases far exceed Federal regulations.

The District's adopted budget for 2015-2016 is \$70,154,600 which represents a 0.95% budget to budget increase from 2014-2015 and results in a 1.84% tax levy increase, which is under the allowable tax levy of 2.4% calculated under the NYS tax cap guidelines.

Requests for Information

This financial report is designed to provide a general overview of the district's finances to all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Pelham Union Free School District
Attention: Mr. Angelo Rubbo
Assistant Superintendent for Business
575 Colonial Avenue
Pelham, NY 10803-2144

Visit our Website at www.pelhamschools.org

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Pelham Union Free School District, New York

Statement of Net Position

June 30, 2015

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 24,635,715
Receivables	
Accounts	2,805
State and Federal aid	1,699,514
Due from other governments	514,715
Prepaid expenses	1,310,840
Inventories	1,480
Net pension asset	23,560,065
Capital assets	
Not being depreciated	2,565,803
Being depreciated, net	50,038,740
Total Assets	104,329,677
DEFERRED OUTFLOWS OF RESOURCES	6,505,364
LIABILITIES	
Accounts payable	1,465,949
Accrued liabilities	114,309
Due to other governments	172,238
Unearned revenues	38,435
Due to retirement systems	5,952,755
Accrued interest payable	415,006
Non-current liabilities	
Due within one year	2,178,404
Due in more than one year	65,008,795
Total Liabilities	75,345,891
DEFERRED INFLOWS OF RESOURCES	16,185,664
NET POSITION	
Net investment in capital assets	13,933,045
Restricted	
Capital projects	400,486
Tax certiorari	4,113,890
Retirement contributions	3,342,767
Debt service	2,714,321
Property damage	36,245
Unemployment benefits	152,681
Repairs	680,041
Trusts	890,505
School lunch	257,956
Unrestricted	(7,218,451)
Total Net Position	\$ 19,303,486

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

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Pelham Union Free School District, New York

Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General support	\$ 8,790,898	\$ 27,824	\$ 6,779	\$ -	\$ (8,756,295)
Instruction	56,032,689	1,313,533	1,103,522	-	(53,615,634)
Pupil transportation	1,030,472	-	30,646	-	(999,826)
Community services	395,938	60,919	146,580	-	(188,439)
Cost of food sales	607,152	544,400	145,313	-	82,561
Other	302,517	-	777,371	-	474,854
Interest	1,540,679	-	-	2,847	(1,537,832)
Total Governmental Activities	<u>\$ 68,700,345</u>	<u>\$ 1,946,676</u>	<u>\$ 2,210,211</u>	<u>\$ 2,847</u>	<u>(64,540,611)</u>
General revenues					
Real property taxes					53,508,438
Other tax items					
School tax relief reimbursement					4,646,354
Non-property taxes					
Non-property tax distribution from County					644,411
Unrestricted use of money and property					14,911
Sale of property and compensation of loss					16,099
Unrestricted State aid					6,564,312
Miscellaneous					234,050
Total General Revenues					<u>65,628,575</u>
Change in Net Position					<u>1,087,964</u>
Net Position - Beginning, as reported					12,297,792
Cumulative Effect of Change in Accounting Principle					<u>5,917,730</u>
Net Position - Beginning, as restated					<u>18,215,522</u>
Net Position - Ending					<u>\$ 19,303,486</u>

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

Pelham Union Free School District, New York

Balance Sheet
Governmental Funds
June 30, 2015

	General	Special Aid	Capital Projects
ASSETS			
Cash and equivalents	\$ 20,194,871	\$ 20,494	\$ 401,877
Receivables			
Accounts	105	-	-
State and Federal aid	1,068,610	621,518	-
Due from other governments	514,715	-	-
Due from other funds	644,589	-	2,687
Prepaid expenditures	1,310,840	-	-
Inventories	-	-	-
Total Assets	\$ 23,733,730	\$ 642,012	\$ 404,564
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,337,932	\$ 2,236	\$ 2,687
Accrued liabilities	110,455	3,854	-
Due to other governments	171,968	-	-
Unearned revenues	-	-	-
Due to other funds	2,505	635,922	1,391
Due to retirement systems	5,952,755	-	-
Total Liabilities	7,575,615	642,012	4,078
Fund balances			
Nonspendable	1,310,840	-	-
Restricted	8,534,116	-	400,486
Assigned	3,506,972	-	-
Unassigned	2,806,187	-	-
Total Fund Balances	16,158,115	-	400,486
Total Liabilities and Fund Balances	\$ 23,733,730	\$ 642,012	\$ 404,564

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

<u>Debt Service</u>	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ 2,716,979	\$ 1,301,494	\$ 24,635,715
-	2,700	2,805
-	9,386	1,699,514
-	-	514,715
29	596,379	1,243,684
-	-	1,310,840
-	1,480	1,480
<u>\$ 2,717,008</u>	<u>\$ 1,911,439</u>	<u>\$ 29,408,753</u>
\$ -	\$ 123,094	\$ 1,465,949
-	-	114,309
-	270	172,238
-	38,435	38,435
2,687	601,179	1,243,684
-	-	5,952,755
<u>2,687</u>	<u>762,978</u>	<u>8,987,370</u>
-	594,319	1,905,159
2,339,321	297,666	11,571,589
375,000	256,476	4,138,448
-	-	2,806,187
<u>2,714,321</u>	<u>1,148,461</u>	<u>20,421,383</u>
<u>\$ 2,717,008</u>	<u>\$ 1,911,439</u>	<u>\$ 29,408,753</u>

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Pelham Union Free School District, New York

Reconciliation of Governmental Funds Balance Sheet
to the District-Wide Statement of Net Position
Year Ended June 30, 2015

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

Fund Balances - Total Governmental Funds	\$ 20,421,383
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>52,604,543</u>
Governmental funds do not report the effect of losses on refunding bonds and assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities.	
Deferred amounts on refunding bonds	590,155
Deferred amounts on net pension assets (liabilities)	<u>(10,270,455)</u>
	<u>(9,680,300)</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension assets	<u>23,560,065</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(415,006)
Bonds payable	(39,244,249)
Installment purchase debt	(17,404)
Compensated absences	(208,492)
Net pension liability	(568,787)
Other post employment benefits obligations payable	<u>(27,148,267)</u>
	<u>(67,602,205)</u>
Net Position of Governmental Activities	<u>\$ 19,303,486</u>

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

Pelham Union Free School District, New York

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	General	Special Aid	Capital Projects
REVENUES			
Real property taxes	\$ 53,508,438	\$ -	\$ -
Other tax items	4,646,354	-	-
Non-property taxes	644,411	-	-
Charges for services	1,374,452	-	-
Use of money and property	49,514	-	-
Sale of property and compensation of loss	16,099	-	-
State aid	6,917,904	140,372	-
Federal aid	1,242	638,962	-
Food sales	-	-	-
Miscellaneous	380,630	-	-
Total Revenues	67,539,044	779,334	-
EXPENDITURES			
Current			
General support	6,914,398	-	-
Instruction	38,130,863	766,855	-
Pupil transportation	971,212	38,308	-
Community services	312,636	-	-
Employee benefits	17,053,284	-	-
Cost of food sales	-	-	-
Other	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	688,150
Total Expenditures	63,382,393	805,163	688,150
Excess (Deficiency) of Revenues Over Expenditures	4,156,651	(25,829)	(688,150)
OTHER FINANCING SOURCES (USES)			
Transfers in	150,000	25,829	75,000
Transfers out	(3,706,358)	-	(193,589)
Total Other Financing Sources (Uses)	(3,556,358)	25,829	(118,589)
Net Change in Fund Balances	600,293	-	(806,739)
FUND BALANCES			
Beginning of Year	15,557,822	-	1,207,225
End of Year	\$ 16,158,115	\$ -	\$ 400,486

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

Debt Service	Non-Major Governmental	Total Governmental Funds
\$ -	\$ -	\$ 53,508,438
-	-	4,646,354
-	-	644,411
-	-	1,374,452
2,847	411	52,772
-	-	16,099
-	8,834	7,067,110
-	136,272	776,476
-	544,400	544,400
-	777,167	1,157,797
2,847	1,467,084	69,788,309
-	-	6,914,398
-	-	38,897,718
-	-	1,009,520
-	-	312,636
-	-	17,053,284
-	602,081	602,081
-	352,167	352,167
2,192,404	-	2,192,404
1,527,525	-	1,527,525
-	-	688,150
3,719,929	954,248	69,549,883
(3,717,082)	512,836	238,426
3,799,118	-	4,049,947
(150,000)	-	(4,049,947)
3,649,118	-	-
(67,964)	512,836	238,426
2,782,285	635,625	20,182,957
\$ 2,714,321	\$ 1,148,461	\$ 20,421,383

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Pelham Union Free School District, New York

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2015

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

Net Change in Fund Balances - Total Governmental Funds	\$ 238,426
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount may be less than total capital outlay since capital outlay includes amounts that are under the capitalization threshold. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay expenditures	689,964
Depreciation expense	<u>(3,121,161)</u>
	<u>(2,431,197)</u>

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

Principal paid on serial bonds	2,175,000
Principal paid on installment purchase debt	17,404
Amortization of loss on refunding bonds and issuance premium	<u>(37,208)</u>
	<u>2,155,196</u>

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

Accrued interest	24,054
Compensated absences	(15,557)
Pension assets (obligations)	6,803,093
Other post employment benefit obligations	<u>(5,686,051)</u>
	<u>1,125,539</u>

Change in Net Position of Governmental Activities	<u>\$ 1,087,964</u>
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The notes to the financial statements are an integral part of this statement.

Pelham Union Free School District, New York

Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual
General and Special Aid Funds
Year Ended June 30, 2015

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 53,508,438	\$ 53,508,438	\$ 53,508,438	\$ -
Other tax items	4,646,354	4,646,354	4,646,354	-
Non-property taxes	575,000	575,000	644,411	69,411
Charges for services	1,042,353	1,042,353	1,374,452	332,099
Use of money and property	55,002	55,002	49,514	(5,488)
Sale of property and compensation of loss	-	-	16,099	16,099
State aid	6,614,149	6,614,149	6,917,904	303,755
Federal aid	-	-	1,242	1,242
Miscellaneous	264,906	264,906	380,630	115,724
Total Revenues	66,706,202	66,706,202	67,539,044	832,842
EXPENDITURES				
Current				
General support	8,009,838	9,012,098	6,914,398	2,097,700
Instruction	38,801,846	38,866,219	38,130,863	735,356
Pupil transportation	1,246,390	1,096,390	971,212	125,178
Community services	436,371	469,871	312,636	157,235
Employee benefits	18,226,423	17,350,823	17,053,284	297,539
Total Expenditures	66,720,868	66,795,401	63,382,393	3,413,008
Excess (Deficiency) of Rev- enues Over Expenditures	(14,666)	(89,199)	4,156,651	4,245,850
OTHER FINANCING SOURCES (USES)				
Transfers in	700,000	700,000	150,000	(550,000)
Transfers out	(3,723,125)	(3,708,529)	(3,706,358)	2,171
Total Other Financing Sources (Uses)	(3,023,125)	(3,008,529)	(3,556,358)	(547,829)
Net Change in Fund Balances	(3,037,791)	(3,097,728)	600,293	3,698,021
FUND BALANCES				
Beginning of Year	3,037,791	3,097,728	15,557,822	12,460,094
End of Year	\$ -	\$ -	\$ 16,158,115	\$ 16,158,115

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

Special Aid Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
106,270	140,372	140,372	-
694,878	694,139	638,962	(55,177)
-	-	-	-
801,148	834,511	779,334	(55,177)
-	-	-	-
822,840	822,840	766,855	55,985
38,308	38,308	38,308	-
-	-	-	-
-	-	-	-
861,148	861,148	805,163	55,985
(60,000)	(26,637)	(25,829)	808
60,000	26,637	25,829	808
-	-	-	-
60,000	26,637	25,829	808
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Pelham Union Free School District, New York

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2015

	<u>Agency</u>
ASSETS	
Cash and equivalents	<u>\$ 124,190</u>
LIABILITIES	
Accounts payable	\$ 105
Student activity funds	<u>124,085</u>
Total Liabilities	<u>\$ 124,190</u>

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

Note 1 - Summary of Significant Accounting Policies

The Pelham Union Free School District, New York ("School District"), as presently constituted, was established in 1912 and operates in accordance with the provisions of the Education Law of the State of New York. The Board of Education is the legislative body responsible for overall operation of the School District and is elected by the voters of the School District. The Superintendent serves as the chief executive officer. The School District's primary function is to provide education for its pupils. Services such as transportation of pupils, administration, finance and plant maintenance support the primary function.

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

A. Financial Reporting Entity

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

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

The School District participates in the Southern Westchester Board of Cooperative Educational Services ("BOCES"), a jointly governed entity. BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs, which provide educational and support services. BOCES' governing board is elected based on the vote of members of the participating district's governing boards. BOCES' budget is comprised of separate budgets for administrative, program and capital costs. BOCES charges the districts for program costs based on participation and for administrative and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school enrollment as defined by Education Law. Copies of BOCES' financial statement can be requested from Southern Westchester BOCES, 17 Berkley Drive, Rye Brook, New York 10573.

B. District-Wide Financial Statements

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

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

Fund Categories

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

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

Special Revenue Funds - Special revenue funds are established to account for and report the proceeds of specific revenue sources that are restricted, committed or

Note 1 - Summary of Significant Accounting Policies (Continued)

assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue fund of the School District is as follows -

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

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

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

The School District also reported the following non-major governmental funds:

Special Revenue Funds:

School Lunch Fund - The School Lunch Fund is used to record the operations of the breakfast and lunch programs of the School District.

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

Permanent Fund - The Permanent Fund is used to account for assets that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs.

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

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

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

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are

Note 1 - Summary of Significant Accounting Policies (Continued)

recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, net pension liability and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Deposits and Risk Disclosures

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

The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies and obligations of New York State or its political subdivisions, and accordingly, the School District's policy provides for no credit risk on investments.

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

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be

Note 1 - Summary of Significant Accounting Policies (Continued)

disclosed as exposed to custodial risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2015.

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

Property Taxes Receivable - Real property taxes attach as an enforceable lien on real property as of July 1st and are payable in two installments in September and January. The Town of Pelham is responsible for the billing and collection of the taxes. The Town guarantees the full payment of the School District warrant and assumes responsibility for uncollected taxes.

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

Due From/To Other Funds - During the course of its operations, the School District has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the district-wide and fund financial statements. Prepaid expenses/expenditures consists of insurance costs and other charges for services, which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent years budget and will benefit such periods. Reported amounts are equally offset by nonspendable fund balance in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

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

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

<u>Class</u>	<u>Life in Years</u>
Buildings and Improvements	20-50
Land Improvements	15-40
Machinery and Equipment	5-20

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

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

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has reported deferred revenues of \$38,435 for meal deposits in advance in the School Lunch Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

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

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

The School District reported deferred outflows of resources of \$590,155 for a deferred loss on refunding bonds in the governmental-wide Statement of Net Position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

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

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

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

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

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

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or

Note 1 - Summary of Significant Accounting Policies (Continued)

imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law of the State of New York.

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

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the School District's Board of Education or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all funds except the General Fund includes all remaining amounts, except for negative balances that are not classified as nonspendable and are neither restricted nor committed.

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

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

F. Encumbrances

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

Note 1 - Summary of Significant Accounting Policies (Continued)

G. Use of Estimates

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

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 3, 2015.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

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

- a) At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- b) At the budget hearing, the voters may raise questions concerning the items contained in the budget.
- c) The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- d) The voters are permitted to vote upon the General Fund budget at the annual meeting.
- e) If the original proposed budget is not approved by the voters, the Board of Education has the option of either resubmitting the original or revising the budget for voter approval at a special meeting held at a later date; or the Board of Education may, at that point, adopt a contingency budget. If the Board of Education decides to submit either the original or a revised budget to the voters for a second time, and the voters do not approve the second budget submittal, the Board of Education must adopt a contingency budget and the tax levy cannot exceed the total tax levy of the prior year (0% levy growth). In addition, the administrative component of the contingency budget shall not comprise a greater percentage of the contingency budget exclusive of the capital component than the lesser of either 1) the percentage the administrative component had comprised in the prior year budget exclusive of the capital component; or 2) the percentage the administrative component had comprised in the last proposed defeated budget exclusive of the capital component.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- f) Formal budgetary integration is employed during the year as a management control device for General and Special Aid funds.
- g) Budgets for General and Special Aid funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the School Lunch, Special Purpose, Permanent or Debt Service funds.
- h) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education, subject to certain thresholds. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in General and Special Aid funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

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

B. Limitation on Unassigned Fund Balance

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

C. Property Tax Limitation

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

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

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

D. Cumulative Effect of Change in Accounting Principle

For the year ended June 30, 2015, the School District implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". These statements seek to improve accounting and financial reporting by state and local governments for pensions

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2015

Note 2 - Stewardship, Compliance and Accountability (Continued)

by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses/expenditures. These statements also require the identification of the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. As a result of adopting these standards, the district-wide financial statements reflect a cumulative effect for the change in accounting principle of \$5,917,730.

E. Capital Projects Fund Project Deficit

The Reconstruction of High School Façade Project reflected as a deficit of \$1,362 at June 30, 2015 because of expenditures exceeding current financing on the project. The deficit will be eliminated with the subsequent receipt or issuance of authorized financing.

Note 3 - Detailed Notes on All Funds

A. Due From/To Other Funds

The balances reflected as due from/to other funds at June 30, 2015 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 644,589	\$ 2,505
Special Aid	-	635,922
Capital Projects	2,687	1,391
Debt Service	29	2,687
Non-Major Governmental	596,379	601,179
	<u>\$ 1,243,684</u>	<u>\$ 1,243,684</u>

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

B. Capital Assets

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

<u>Class</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital Assets, not being depreciated				
Land	\$ 2,167,650	\$ -	\$ -	\$ 2,167,650
Construction in Progress	105,567	368,948	76,362	398,153
Total Capital Assets, not being depreciated	<u>\$ 2,273,217</u>	<u>\$ 368,948</u>	<u>\$ 76,362</u>	<u>\$ 2,565,803</u>

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2015

Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital Assets, being depreciated				
Buildings and Improvements	\$ 75,493,523	\$ 339,731	\$ -	\$ 75,833,254
Land Improvements	2,793,460	57,647	-	2,851,107
Machinery and Equipment	599,225	-	-	599,225
Total Capital Assets, being depreciated	78,886,208	397,378	-	79,283,586
Less Accumulated Depreciation for				
Buildings and Improvements	24,843,342	2,928,883	-	27,772,225
Land Improvements	919,522	162,591	-	1,082,113
Machinery and Equipment	360,821	29,687	-	390,508
Total Accumulated Depreciation	26,123,685	3,121,161	-	29,244,846
Total Capital Assets, being depreciated, net	\$ 52,762,523	\$ (2,723,783)	\$ -	\$ 50,038,740
Capital Assets, net	\$ 55,035,740	\$ (2,354,835)	\$ 76,362	\$ 52,604,543

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

General support	\$ 17,676
Instruction	3,098,414
Cost of food sales	5,071
Total Depreciation Expense	<u>\$ 3,121,161</u>

C. Accrued Liabilities

Accrued liabilities at June 30, 2015 were as follows:

Payroll and Employee Benefits	<u>\$ 114,309</u>
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D. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2015:

	Balance, as Reported July 1, 2014	Cumulative Effect of Change in Accounting Principle	Balance, as Restated July 1, 2014	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2015	Due Within One-Year
Bonds Payable	\$ 41,240,000	\$ -	\$ 41,240,000	\$ -	\$ 2,175,000	\$ 39,065,000	\$ 2,140,000
Plus - Unamortized premium on bonds	193,037	-	193,037	-	13,788	179,249	-
	41,433,037	-	41,433,037	-	2,188,788	39,244,249	2,140,000
Other Non-Current Liabilities							
Installment Purchase Debt	34,808	-	34,808	-	17,404	17,404	17,404
Compensated Absences	192,935	-	192,935	34,557	19,000	208,492	21,000
Net Pension Liability	-	760,830	760,830	-	192,043	568,787	-
Other Post Employment Benefit Obligations Payable	21,462,216	-	21,462,216	7,555,576	1,869,525	27,148,267	-
Total Non-Current Liabilities	21,689,959	760,830	22,450,789	7,590,133	2,097,972	27,942,950	38,404
Total Long-Term Liabilities	\$ 63,122,996	\$ 760,830	\$ 63,883,826	\$ 7,590,133	\$ 4,286,760	\$ 67,187,199	\$ 2,178,404

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
 June 30, 2015

Note 3 - Detailed Notes on All Funds (Continued)

Each governmental fund's liability for compensated absences and other post employment obligations is liquidated by the General Fund. The School District's indebtedness for bonds and installment purchase debt is satisfied by the Debt Service Fund which is funded primarily by the General Fund.

Bonds Payable

Bonds payable at June 30, 2015 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2015
Refunding Bonds	2007	22,555,000	August, 2029	4.000 - 5.500 %	\$ 20,505,000
Reconstruction of School Buildings	2010	16,029,473	November, 2029	2.000 - 4.000	13,035,000
Reconstruction of School Buildings	2011	7,198,000	October, 2025	2.000 - 3.000	5,525,000
					<u>\$ 39,065,000</u>

Interest expenditures of \$1,527,525 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$1,540,679 was recorded in the district-wide financial statements.

Installment Purchase Debt

The District entered into a lease agreement to finance the costs of a wide area mower. The terms of this agreement provided for the repayment of the principal amount of \$52,213, in annual installments of \$17,404 through June, 2016. This lease agreement is interest free for the School District.

Payments to Maturity

The annual requirements to amortize all bonded debt outstanding as of June 30, 2015 including interest payments of \$12,018,897 are as follows:

Year Ending June 30,	Bonds		Installment Purchase Debt	Total	
	Principal	Interest	Principal	Principal	Interest
2016	\$ 2,140,000	\$ 1,444,056	\$ 17,404	\$ 2,157,404	\$ 1,444,056
2017	2,220,000	1,358,931	-	2,220,000	1,358,931
2018	2,300,000	1,276,844	-	2,300,000	1,276,844
2019	2,380,000	1,199,969	-	2,380,000	1,199,969
2020	2,455,000	1,119,178	-	2,455,000	1,119,178
2021-2025	13,640,000	4,180,950	-	13,640,000	4,180,950
2026-2030	13,930,000	1,438,969	-	13,930,000	1,438,969
	<u>\$ 39,065,000</u>	<u>\$ 12,018,897</u>	<u>\$ 17,404</u>	<u>\$ 39,082,404</u>	<u>\$ 12,018,897</u>

Note 3 - Detailed Notes on All Funds (Continued)

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

Compensated Absences

School District administrators may accumulate up to ten vacation days. Upon separation of service from the School District, administrators will be compensated for any unused days. Vacation time, for all other employees, must be taken in the year granted. However, certain CSEA employees are granted their vacation time in the year after it is earned. The School District is not required to compensate employees for accumulated sick leave upon separation of service. The value of all compensated absences has been reflected in the government-wide financial statements.

Pension Plans

Employees' Retirement System

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

The ERS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2015 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
2 75I	24.3 %
3 A15	20.4
4 A15	20.4
5 A15	16.7
6 A15	11.0

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2015

Note 3 - Detailed Notes on All Funds (Continued)

At June 30, 2015, the School District reported a liability of \$568,787 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. At June 30, 2015, the School District's proportion was .0168368%. For this first year of implementation, the ERS reported no change in the allocation percentage measured as of March 31, 2014.

For the year ended June 30, 2015, the School District recognized pension expense/expenditures of \$526,212 and \$864,188, respectively. The pension expenditure of \$864,188 was charged to the General Fund. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 18,208
Net difference between projected and actual earnings on pension plan investments	98,791
Changes in proportion and differences between School District contributions and proportionate share of contributions	45,816
School District contributions subsequent to the measurement date	<u>210,316</u>
	<u>\$ 373,131</u>

\$210,316 reported as deferred outflows of resources related to ERS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

<u>Year Ended March 31,</u>	
2016	\$ 40,704
2017	40,704
2018	40,704
2019	40,703

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

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2015

Note 3 - Detailed Notes on All Funds (Continued)

Actuarial cost method	Entry age normal
Inflation	2.7%
Salary scale	4.9%, indexed by service
Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation
Cost of living adjustments	1.4% annually

Annuitant mortality rates are based on the April 1, 2005 – March 31, 2010 ERS's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice ("ASOP") No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 and 2014 are summarized below.

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

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2015

Note 3 - Detailed Notes on All Funds (Continued)

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability (asset)	<u>\$ 3,791,214</u>	<u>\$ 568,787</u>	<u>\$ (2,151,740)</u>

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

Total pension liability	\$ 164,591,504,000
ERS fiduciary net position	<u>161,213,259,000</u>
Employers' net pension liability	<u>\$ 3,378,245,000</u>
ERS fiduciary net position as a percentage of total pension liability	<u>97.9%</u>

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31st. Accrued retirement contributions as of June 30, 2015 represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Accrued retirement contributions to ERS as of June 30, 2015 were \$210,316.

Teachers' Retirement System

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

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

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2015

Note 3 - Detailed Notes on All Funds (Continued)

Board of Trustees. The employer contribution rate for the plan's year ending in 2015 was 17.53%.

At June 30, 2015, the School District reported an asset of \$23,560,065 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The School District's proportion of the net pension asset was based on the School District's contributions to the pension plan relative to the contributions of all participating members. At June 30, 2014, the School District's proportion was .211503%, which was an increase of .003052% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense/expenditure of \$(925,390) and \$5,537,580, respectively. The pension expenditure of \$5,537,580 was charged to the General Fund. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 344,523
Net difference between projected and actual earnings on pension plan investments	-	15,823,145
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	17,996
School District contributions subsequent to the measurement date	5,542,078	-
	<u>\$ 5,542,078</u>	<u>\$ 16,185,664</u>

\$5,542,078 reported as deferred outflows of resources related to TRS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TRS will be recognized in pension expense as follows:

Year Ended June 30,	
2015	\$ (3,997,939)
2016	(3,997,939)
2017	(3,997,939)
2018	(3,997,939)
2019	(42,156)
Thereafter	(151,752)

Note 3 - Detailed Notes on All Funds (Continued)

The total pension liability for the June 30, 2014 measurement date was determined by using an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by using an actuarial valuation as of June 30, 2012, with update procedures used to roll forward the total pension liability to June 30, 2013. These actuarial valuations used the following actuarial assumptions:

Inflation	3.0%															
Projected salary increases	Rates of increase differ based on age and gender. They have been calculated based upon recent TRS member experience.															
	<table><tr><th>Age</th><th>Female</th><th>Male</th></tr><tr><td>25</td><td>10.35 %</td><td>10.91 %</td></tr><tr><td>35</td><td>6.26</td><td>6.27</td></tr><tr><td>45</td><td>5.39</td><td>5.04</td></tr><tr><td>55</td><td>4.42</td><td>4.01</td></tr></table>	Age	Female	Male	25	10.35 %	10.91 %	35	6.26	6.27	45	5.39	5.04	55	4.42	4.01
Age	Female	Male														
25	10.35 %	10.91 %														
35	6.26	6.27														
45	5.39	5.04														
55	4.42	4.01														
Projected COLAs	1.625% compounded annually															
Investment rate of return	8.0% compounded annually, net of pension plan investment expense, including inflation															

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

The actuarial assumptions used in the June 30, 2013 and 2012 valuations were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice ("ASOP") No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of the valuation dates of June 30, 2013 and 2012 are summarized in the following table:

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2015

Note 3 - Detailed Notes on All Funds (Continued)

Asset Class:	Target Allocation		Long-Term Expected Real Rate of Return*	
	2013	2012	2013	2012
Equities:				
Domestic equities	37 %	37 %	7.3 %	7.0 %
International equities	18	18	8.5	9.1
Real estate	10	10	5.0	4.9
Alternative investments	7	7	11.0	10.2
Total Equities	72	72		
Fixed Income:				
Domestic fixed income securities	18	18	1.5	2.0
Global fixed income securities	2	2	1.4	1.7
Mortgages	8	8	3.4	4.0
Short-term	-	-	0.8	1.2
Total Fixed Income	28	28		
Total	100 %	100 %		

*Real rates of return are net of the long-term inflation assumption of 2.3% for 2013 and 2012.

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

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

	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
School District's proportionate share of the net pension asset	\$ 508,224	\$ 23,560,065	\$ 43,203,436

Note 3 - Detailed Notes on All Funds (Continued)

The components of the collective net pension asset of TRS as of the June 30, 2014 measurement date were as follows:

Total pension liability	\$ 97,015,706,548
TRS fiduciary net position	<u>108,155,083,127</u>
Employers' net pension asset	<u>\$ 11,139,376,579</u>
TRS fiduciary net position as a percentage of total pension liability	<u>111.48%</u>

Employer and employee contributions for the year ended June 30, 2015 are paid to TRS in the following fiscal year through a state aid intercept or, if state aid is insufficient, through a payment by the School District to TRS. Accrued retirement contributions as of June 30, 2015 represent employee and employer contributions for the fiscal year ended June 30, 2015 based on paid TRS wages multiplied by the employers' contribution rate plus employee contributions for the fiscal year as reported to TRS. Accrued retirement contributions to TRS as of June 30, 2015 were \$5,742,439.

Other Post Employment Benefit Obligations Payable

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

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

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

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2015

Note 3 - Detailed Notes on All Funds (Continued)

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

<u>Year Ended June 30,</u>	<u>Medical</u>
2016	8.00 %
2017	7.50
2018	7.00
2019	6.50
2020	6.00
2021	5.50
2022	5.00

The actuarial assumptions included a 4.0% investment rate of return. The amortization basis is the level dollar method with an open amortization approach with 23 years remaining in the amortization period. The unit credit method was used to determine the actuarial value of the assets of the OPEB plan, however, the District currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the unit credit method.

The number of participants as of June 30, 2015 was as follows:

Active Employees	339
Retired Employees	<u>202</u>
	<u>541</u>

Amortization Component	
Actuarial Accrued Liability as of July 1, 2014	\$ 73,938,258
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 73,938,258</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (active plan members)	<u>\$ 35,722,264</u>
UAAL as a Percentage of Covered Payroll	<u>206.98%</u>
Annual Required Contribution	\$ 7,890,512
Adjustment to annual required contribution	(1,193,425)
Interest on Net OPEB Obligation	<u>858,489</u>
Annual OPEB Cost	7,555,576
Contributions Made	<u>(1,869,525)</u>
Increase in Net OPEB Obligation	5,686,051
Net OPEB Obligation - Beginning of Year	<u>21,462,216</u>
Net OPEB Obligation - End of Year	<u>\$ 27,148,267</u>

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2015

Note 3 - Detailed Notes on All Funds (Continued)

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

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 7,555,576	24.7 %	\$ 27,148,267
2014	5,757,990	29.5	21,462,216
2013	5,706,200	25.5	17,405,288

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

E. Revenues and Expenditures

Interfund Transfers

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

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	
General Fund	\$ -	\$ 25,829	\$ 75,000	\$ 3,605,529	\$ 3,706,358
Capital Projects Fund	-	-	-	193,589	193,589
Debt Service Fund	150,000	-	-	-	150,000
	<u>\$ 150,000</u>	<u>\$ 25,829</u>	<u>\$ 75,000</u>	<u>\$ 3,799,118</u>	<u>\$ 4,049,947</u>

Transfers are used to 1) move funds from the operating funds to the Debt Service Fund as debt service principal and interest payments become due and 2) move amounts earmarked in the operating funds to fulfill commitments for General, Special Aid and Capital Projects funds expenditures.

F. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of

Note 3 - Detailed Notes on All Funds (Continued)

debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

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

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

Restricted for Retirement Contributions - the component of net position that reports the amounts set aside to be used for the School District's payment of retirement contributions to the New York State and Local Employee's Retirement System in accordance with Section 6-r of the General Municipal Law of the State of New York.

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

Restricted for Property Damage - the component of net position that has been established pursuant to General Municipal Law to set aside funds to be used to self insure the School District for its annual property damage insurance deductibles.

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

Restricted for Repairs - the component of net position that has been established pursuant to Section 6-d in General Municipal Law to set aside funds to be used for repairs of capital improvements or equipment.

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

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

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

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2015

Note 3 - Detailed Notes on All Funds (Continued)

G. Fund Balances

	2015					2014				
	General Fund	Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Nonspendable										
Inventories	\$ -	\$ -	\$ -	\$ 1,480	\$ 1,480	\$ -	\$ -	\$ -	\$ 6,533	\$ 6,533
Prepaid expenditures	1,310,840	-	-	-	1,310,840	1,284,147	-	-	-	1,284,147
Permanent Fund	-	-	-	592,839	592,839	-	-	-	30,375	30,375
Total Nonspendable	1,310,840	-	-	594,319	1,905,159	1,284,147	-	-	36,908	1,321,055
Restricted										
Tax certiorari	4,113,890	-	-	-	4,113,890	3,910,433	-	-	-	3,910,433
Unemployment benefits	152,681	-	-	-	152,681	152,544	-	-	-	152,544
Employee benefit accrued liability	208,492	-	-	-	208,492	192,935	-	-	-	192,935
Retirement contributions	3,342,767	-	-	-	3,342,767	4,164,068	-	-	-	4,164,068
Property damage	36,245	-	-	-	36,245	36,212	-	-	-	36,212
Repairs	680,041	-	-	-	680,041	-	-	-	-	-
Debt service	-	-	2,339,321	-	2,339,321	-	-	2,082,285	-	2,082,285
Capital projects	-	400,486	-	-	400,486	-	1,207,225	-	-	1,207,225
Special purposes	-	-	-	294,126	294,126	-	-	-	431,489	431,489
Permanent Fund	-	-	-	3,540	3,540	-	-	-	3,437	3,437
Total Restricted	8,534,116	400,486	2,339,321	297,666	11,571,589	8,456,192	1,207,225	2,082,285	434,926	12,180,628
Assigned										
Purchases on order										
General government support	1,420,950	-	-	-	1,420,950	721,825	-	-	-	721,825
Instruction	194,778	-	-	-	194,778	62,976	-	-	-	62,976
Community services	116,244	-	-	-	116,244	166,990	-	-	-	166,990
	1,731,972	-	-	-	1,731,972	951,791	-	-	-	951,791
Subsequent year's expenditures	1,775,000	-	375,000	-	2,150,000	2,086,000	-	700,000	-	2,786,000
School Lunch Fund	-	-	-	256,476	256,476	-	-	-	163,791	163,791
Total Assigned	3,506,972	-	375,000	256,476	4,138,448	3,037,791	-	700,000	163,791	3,901,582
Unassigned	2,806,187	-	-	-	2,806,187	2,779,692	-	-	-	2,779,692
Total Fund Balances	\$ 16,158,115	\$ 400,486	\$ 2,714,321	\$ 1,148,461	\$ 20,421,383	\$ 15,557,822	\$ 1,207,225	\$ 2,782,285	\$ 635,625	\$ 20,182,957

Note 3 - Detailed Notes on All Funds (Continued)

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

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

Prepaid Expenditures have been provided to account for certain payments made in advance. The amount is classified as nonspendable to indicate that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

The corpus of the Permanent Fund has been classified as nonspendable to indicate the portion of the trust with constraints placed on its use by external parties.

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

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

Subsequent year's expenditures represent that at June 30, 2015, the Board of Education has assigned the above amounts to be appropriated for the ensuing year's budget.

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

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

A former probationary teacher filed in 2011 a claim under the Workers' Compensation Law claiming that her employment was terminated due to her filing a Workers' Compensation claim. This matter is being vigorously contested by the School District. If the teacher is successful, the District's damages could exceed \$230,000 including legal fees. The likely outcome cannot be determined at this time.

The District is a defendant in numerous claims from parents of disabled children. These parents have filed for due process and are seeking to recover private school tuition, room and board and transportation for their children for the 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 school years. An Impartial Hearing Officer has ruled against the District in one claim and the parties are engaged in an appeal of the Hearing Officer's decision. These parents are seeking \$180,000. If the parents are successful, the District's damages could exceed \$450,000 including legal fees. Two additional claims have yet to commence to the hearing stage. These parents are each seeking a recovery that could exceed \$450,000.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

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

B. Contingencies

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

C. Risk Management

The School District and other school districts have formed a reciprocal insurance company owned by these districts. This Company operates under an agreement effective July 1, 1989. The purpose of the Company is to provide general liability, auto liability, all risk building and contents and auto physical damage coverage. In addition, as part of the reciprocal program, excess insurance, school board legal liability, equipment floaters, boilers and machinery and crime and bond coverages will be purchased from commercial carriers and be available to the subscriber districts. The Company retains a management company which is responsible for the overall supervision and management of the reciprocal. The reciprocal is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts.

The subscribers have elected those who sit on the board and each subscriber has a single vote. The Company is an "assessable" insurance company, in that, the subscribers are severally liable for any financial shortfall of the Company and can be assessed their proportionate share by the State Insurance Department if the funds of the Company are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimal capital contribution.

The School District purchases various insurance coverages from the Company to reduce its exposure to loss. The School District maintains a general liability insurance policy with coverage up to \$1 million per occurrence. The School District also maintains liability coverage for school board members up to \$2 million and an excess liability policy with coverage up to \$15 million. Property insurance for fire loss is also maintained for the School District's buildings and contents. In addition, the School District has established a reserve for property damage in the General Fund to be used to cover the deductible portion of property damage insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

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

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

Pelham Union Free School District, New York

Required Supplementary Information - Schedule of Funding Progress

Other Post Employment Benefits

Last Three Fiscal Years

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2014	\$ -	\$ 73,938,258	\$ 73,938,258	- %	\$ 35,722,264	206.98 %
July 1, 2013	-	59,333,479	59,333,479	-	35,537,484	166.96
July 1, 2012	-	59,333,479	59,333,479	-	34,753,303	170.73

Pelham Union Free School District, New York

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

	<u>2015</u>
School District's proportion of the net pension liability (asset)	<u>0.211503%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ (23,560,065)</u>
School District's covered-employee payroll	<u>\$ 31,599,598</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>74.56%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>111.48%</u>

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

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

Pelham Union Free School District, New York

Required Supplementary Information - Schedule of Contributions
New York State Teachers' Retirement System
Last Ten Fiscal Years (1)

	<u>2015</u>
Contractually required contribution	\$ 5,542,078
Contributions in relation to the contractually required contribution	<u>(5,542,078)</u>
Contribution deficiency (excess)	<u>\$ -</u>
School District's covered-employee payroll	<u>\$ 31,599,598</u>
Contributions as a percentage of covered-employee payroll	<u>17.54%</u>

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

Pelham Union Free School District, New York

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

	2015
School District's proportion of the net pension liability (asset)	<u>0.016837%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 568,787</u>
School District's covered-employee payroll	<u>\$ 4,608,844</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>12.34%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>97.90%</u>

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

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

Pelham Union Free School District, New York

Required Supplementary Information - Schedule of Contributions
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2015</u>
Contractually required contribution	\$ 864,188
Contributions in relation to the contractually required contribution	<u>(864,188)</u>
Contribution deficiency (excess)	<u>\$ -</u>
School District's covered-employee payroll	<u>\$ 4,608,844</u>
Contributions as a percentage of covered-employee payroll	<u>18.75%</u>

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

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Pelham Union Free School District, New York

General Fund
Comparative Balance Sheet
June 30,

	2015	2014
ASSETS		
Cash and equivalents	\$ 20,194,871	\$ 19,765,612
Receivables		
Accounts	105	95
State and Federal aid	1,068,610	920,202
Due from other governments	514,715	581,016
Due from other funds	644,589	590,676
	2,228,019	2,091,989
Prepaid expenditures	1,310,840	1,284,147
Total Assets	\$ 23,733,730	\$ 23,141,748
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,337,932	\$ 1,799,813
Accrued liabilities	110,455	95,656
Due to other governments	171,968	134,756
Due to other funds	2,505	-
Due to retirement systems	5,952,755	5,553,701
Total Liabilities	7,575,615	7,583,926
Fund balance		
Nonspendable	1,310,840	1,284,147
Restricted	8,534,116	8,456,192
Assigned	3,506,972	3,037,791
Unassigned	2,806,187	2,779,692
Total Fund Balance	16,158,115	15,557,822
Total Liabilities and Fund Balance	\$ 23,733,730	\$ 23,141,748

Pelham Union Free School District, New York

General Fund

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

	2015				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
REVENUES					
Real property taxes	\$ 53,508,438	\$ 53,508,438	\$ 53,508,438	\$	\$ -
Other tax items	4,646,354	4,646,354	4,646,354		-
Non-property taxes	575,000	575,000	644,411		69,411
Charges for services	1,042,353	1,042,353	1,374,452		332,099
Use of money and property	55,002	55,002	49,514		(5,488)
Sale of property and compensation of loss	-	-	16,099		16,099
State aid	6,614,149	6,614,149	6,917,904		303,755
Federal aid	-	-	1,242		1,242
Miscellaneous	264,906	264,906	380,630		115,724
Total Revenues	66,706,202	66,706,202	67,539,044		832,842
EXPENDITURES					
Current					
General support					
Board of education	101,639	102,039	63,138	9,975	28,926
Central administration	510,074	516,174	499,211	450	16,513
Finance	749,034	766,034	735,806	-	30,228
Staff	450,853	466,553	388,211	11,995	66,347
Central services	5,602,946	6,543,042	4,612,855	1,398,530	531,657
Special items	595,292	618,256	615,177	-	3,079
Total General Support	8,009,838	9,012,098	6,914,398	1,420,950	676,750
Instruction					
Instruction, administration and improvement	2,527,692	2,517,107	2,459,077	4,240	53,790
Teaching - Regular school	24,817,046	24,607,319	24,320,770	31,701	254,848
Programs for children with handicapping conditions	5,943,451	6,187,151	6,128,478	3,325	55,348
Instructional media	1,152,612	1,257,128	1,072,574	126,025	58,529
Pupil services	4,361,045	4,297,514	4,149,964	29,487	118,063
Total Instruction	38,801,846	38,866,219	38,130,863	194,778	540,578
Pupil transportation	1,246,390	1,096,390	971,212	-	125,178
Community services	436,371	469,871	312,636	116,244	40,991
Employee benefits	18,226,423	17,350,823	17,053,284	-	297,539
Total Expenditures	66,720,868	66,795,401	63,382,393	1,731,972	1,681,036
Excess (Deficiency) of Revenues Over Expenditures	(14,666)	(89,199)	4,156,651	(1,731,972)	2,513,878
OTHER FINANCING SOURCES (USES)					
Transfers in	700,000	700,000	150,000	-	(550,000)
Transfers out	(3,723,125)	(3,708,529)	(3,706,358)	-	2,171
Total Other Financing Uses	(3,023,125)	(3,008,529)	(3,556,358)	-	(547,829)
Net Change in Fund Balance	(3,037,791)	(3,097,728)	600,293	\$ (1,731,972)	\$ 1,966,049
FUND BALANCE					
Beginning of Year	3,037,791	3,097,728	15,557,822		
End of Year	\$ -	\$ -	\$ 16,158,115		

2014				
Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
\$ 52,304,033	\$ 52,304,033	\$ 52,304,034	\$	\$ 1
4,746,866	4,746,866	4,746,866		-
525,000	525,000	632,803		107,803
963,850	963,850	1,213,678		249,828
82,764	82,764	95,936		13,172
-	-	24,385		24,385
5,759,621	5,759,621	5,938,664		179,043
-	-	1,520		1,520
552,067	552,067	416,572		(135,495)
64,934,201	64,934,201	65,374,458		440,257
92,220	102,720	85,952	9,419	7,349
503,672	500,582	479,668	1,117	19,797
755,156	741,901	731,291	1,000	9,610
437,437	499,261	441,509	12,600	45,152
5,424,538	5,936,488	5,049,732	697,689	189,067
571,888	1,179,535	1,171,393	-	8,142
7,784,911	8,960,487	7,959,545	721,825	279,117
2,476,849	2,468,825	2,402,530	5,537	60,758
24,526,059	24,458,164	23,882,170	36,457	539,537
5,617,164	6,227,117	5,908,659	10,490	307,968
1,229,062	1,194,937	1,094,396	6,956	93,585
4,785,177	4,200,269	3,960,656	3,536	236,077
38,634,311	38,549,312	37,248,411	62,976	1,237,925
1,288,253	1,088,253	982,758	-	105,495
346,095	529,107	361,700	166,990	417
17,364,633	16,842,228	15,992,172	-	850,056
65,418,203	65,969,387	62,544,586	951,791	2,473,010
(484,002)	(1,035,186)	2,829,872	(951,791)	2,913,267
700,000	700,000	700,000	-	-
(4,254,515)	(4,247,920)	(4,247,476)	-	444
(3,554,515)	(3,547,920)	(3,547,476)	-	444
(4,038,517)	(4,583,106)	(717,604)	\$ (951,791)	\$ 2,913,711
4,038,517	4,583,106	16,275,426		
\$ -	\$ -	\$ 15,557,822		

Pelham Union Free School District, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	<u>\$ 53,508,438</u>	<u>\$ 53,508,438</u>	<u>\$ 53,508,438</u>	<u>\$ -</u>
OTHER TAX ITEMS				
School tax relief reimbursement	<u>4,646,354</u>	<u>4,646,354</u>	<u>4,646,354</u>	<u>-</u>
NON-PROPERTY TAXES				
Non-property tax distribution from County	<u>575,000</u>	<u>575,000</u>	<u>644,411</u>	<u>69,411</u>
CHARGES FOR SERVICES				
Day school tuition	817,353	817,353	1,178,152	360,799
Youth services for other districts	50,000	50,000	60,919	10,919
Health services for other districts	<u>175,000</u>	<u>175,000</u>	<u>135,381</u>	<u>(39,619)</u>
	<u>1,042,353</u>	<u>1,042,353</u>	<u>1,374,452</u>	<u>332,099</u>
USE OF MONEY AND PROPERTY				
Earnings on investments	25,002	25,002	21,690	(3,312)
Rental of real property	<u>30,000</u>	<u>30,000</u>	<u>27,824</u>	<u>(2,176)</u>
	<u>55,002</u>	<u>55,002</u>	<u>49,514</u>	<u>(5,488)</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Insurance recoveries	<u>-</u>	<u>-</u>	<u>16,099</u>	<u>16,099</u>

STATE AID

Basic formula	6,614,149	6,614,149	4,243,476	(2,370,673)
Lottery aid	-	-	1,158,706	1,158,706
Textbook aid	-	-	170,382	170,382
Computer software aid	-	-	64,479	64,479
BOCES aid	-	-	1,143,949	1,143,949
Library loan program	-	-	18,731	18,731
State-of-the-art technology and athletic programming	-	-	100,000	100,000
Other	-	-	18,181	18,181

	<u>6,614,149</u>	<u>6,614,149</u>	<u>6,917,904</u>	<u>303,755</u>
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FEDERAL AID

Medicaid assistance	-	-	1,242	1,242
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MISCELLANEOUS

Refund of prior year's expenditures	35,000	35,000	101,225	66,225
Arts in education	150,000	150,000	146,580	(3,420)
Refund of BOCES aided services	30,000	30,000	92,119	62,119
Other	49,906	49,906	40,706	(9,200)

	<u>264,906</u>	<u>264,906</u>	<u>380,630</u>	<u>115,724</u>
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TOTAL REVENUES

	66,706,202	66,706,202	67,539,044	832,842
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OTHER FINANCING SOURCES

Transfers in				
Debt Service Fund	700,000	700,000	150,000	(550,000)

**TOTAL REVENUES AND
OTHER FINANCING SOURCES**

	<u>\$ 67,406,202</u>	<u>\$ 67,406,202</u>	<u>\$ 67,689,044</u>	<u>\$ 282,842</u>
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Pelham Union Free School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 94,139	\$ 94,539	\$ 56,290	\$ 9,975	\$ 28,274
District meeting	7,500	7,500	6,848	-	652
Total Board of Education	101,639	102,039	63,138	9,975	28,926
CENTRAL ADMINISTRATION					
Chief school administration	510,074	516,174	499,211	450	16,513
FINANCE					
Business administration	658,634	675,634	666,316	-	9,318
Auditing	90,400	90,400	69,490	-	20,910
Total Finance	749,034	766,034	735,806	-	30,228
STAFF					
Legal	220,000	252,000	191,919	-	60,081
Personnel	230,853	214,553	196,292	11,995	6,266
Total Staff	450,853	466,553	388,211	11,995	66,347
CENTRAL SERVICES					
Operation and maintenance of plant	5,602,946	6,543,042	4,612,855	1,398,530	531,657

SPECIAL ITEMS

Unallocated insurance	310,000	278,000	276,132	-	1,868
School association dues	24,045	19,072	18,247	-	825
Assessments on school property	64,000	64,000	63,614	-	386
Refunds of real property taxes	-	59,937	59,937	-	-
Administrative charge - BOCES	197,247	197,247	197,247	-	-
Total Special Items	595,292	618,256	615,177	-	3,079
Total General Support	8,009,838	9,012,098	6,914,398	1,420,950	676,750

INSTRUCTION**INSTRUCTION, ADMINISTRATION
AND IMPROVEMENT**

Curriculum development and supervision	63,530	99,194	92,638	3,545	3,011
Supervision - Regular school	2,164,181	2,129,432	2,096,321	-	33,111
Research, planning and evaluation	55,000	46,500	36,212	-	10,288
In-service training - Instruction	244,981	241,981	233,906	695	7,380
Total Instruction, Administration and Improvement	2,527,692	2,517,107	2,459,077	4,240	53,790

TEACHING - REGULAR SCHOOL

24,817,046	24,607,319	24,320,770	31,701	254,848
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**PROGRAMS FOR CHILDREN WITH
HANDICAPPING CONDITIONS**

Programs for students with disabilities	5,943,451	6,187,151	6,128,478	3,325	55,348
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INSTRUCTIONAL MEDIA

Computer assisted instruction	453,423	557,939	415,964	125,025	16,950
School library and audiovisual	699,189	699,189	656,610	1,000	41,579
Total Instructional Media	1,152,612	1,257,128	1,072,574	126,025	58,529

(Continued)

Pelham Union Free School District, New York

General Fund

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

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
PUPIL SERVICES					
Attendance - Regular school	\$ 594,448	\$ 426,948	\$ 380,941	\$ -	\$ 46,007
Guidance - Regular school	1,453,762	1,462,619	1,420,048	29,487	13,084
Health services - Regular school	515,630	581,642	571,174	-	10,468
Psychological services - Regular school	794,713	811,313	803,234	-	8,079
Co-Curricular activities - Regular school	204,686	204,686	194,617	-	10,069
Interscholastic activities - Regular school	797,806	810,306	779,950	-	30,356
Total Pupil Services	4,361,045	4,297,514	4,149,964	29,487	118,063
Total Instruction	38,801,846	38,866,219	38,130,863	194,778	540,578
PUPIL TRANSPORTATION					
District transportation services	311,340	231,340	160,395	-	70,945
Contract transportation	935,050	865,050	810,817	-	54,233
Total Pupil Transportation	1,246,390	1,096,390	971,212	-	125,178
COMMUNITY SERVICES					
Civic activities	102,986	102,986	84,572	-	18,414
Recreation and other community services	333,385	366,885	228,064	116,244	22,577
Total Community Services	436,371	469,871	312,636	116,244	40,991

EMPLOYEE BENEFITS

State retirement	997,756	886,756	864,188	-	22,568
Teachers' retirement	5,692,987	5,567,987	5,537,580	-	30,407
Social security	2,920,894	2,724,894	2,670,161	-	54,733
Workers' compensation benefits	235,500	236,300	236,239	-	61
Unemployment benefits	50,000	49,200	13,902	-	35,298
Health insurance	7,725,952	6,912,352	6,787,402	-	124,950
Employee benefit fund	553,334	500,334	482,608	-	17,726
Other unallocated benefits	50,000	473,000	461,204	-	11,796

Total Employee Benefits	18,226,423	17,350,823	17,053,284	-	297,539
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TOTAL EXPENDITURES	<u>66,720,868</u>	<u>66,795,401</u>	<u>63,382,393</u>	<u>1,731,972</u>	<u>1,681,036</u>
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OTHER FINANCING USES

Transfers out					
Special Aid Fund	60,000	26,637	25,829	-	808
Capital Projects Fund	75,000	76,362	75,000	-	1,362
Debt Service Fund	3,588,125	3,605,530	3,605,529	-	1

TOTAL OTHER FINANCING USES	<u>3,723,125</u>	<u>3,708,529</u>	<u>3,706,358</u>	<u>-</u>	<u>2,171</u>
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TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 70,443,993</u>	<u>\$ 70,503,930</u>	<u>\$ 67,088,751</u>	<u>\$ 1,731,972</u>	<u>\$ 1,683,207</u>
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Pelham Union Free School District, New York

Special Aid Fund
Comparative Balance Sheet
June 30,

	2015	2014
ASSETS		
Cash and equivalents	\$ 20,494	\$ 6,260
State and Federal aid receivable	<u>621,518</u>	<u>263,341</u>
Total Assets	<u>\$ 642,012</u>	<u>\$ 269,601</u>
LIABILITIES		
Accounts payable	\$ 2,236	\$ 5,076
Accrued liabilities	3,854	2,572
Due to other funds	<u>635,922</u>	<u>261,953</u>
Total Liabilities	<u>\$ 642,012</u>	<u>\$ 269,601</u>

Pelham Union Free School District, New York

Special Aid Fund

Comparative Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

Years Ended June 30,

	2015			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State aid	\$ 106,270	\$ 140,372	\$ 140,372	\$ -
Federal aid	694,878	694,139	638,962	(55,177)
Total Revenues	801,148	834,511	779,334	(55,177)
EXPENDITURES				
Current				
Instruction	822,840	822,840	766,855	55,985
Pupil transportation	38,308	38,308	38,308	-
Total Expenditures	861,148	861,148	805,163	55,985
Deficiency of Revenues Over Expenditures	(60,000)	(26,637)	(25,829)	808
OTHER FINANCING SOURCES				
Transfers in	60,000	26,637	25,829	(808)
Net Change in Fund Balance	-	-	-	-
FUND BALANCE				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

2014			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 132,344	\$ 161,300	\$ 161,300	\$ -
704,556	761,992	666,138	(95,854)
836,900	923,292	827,438	(95,854)
855,410	913,290	816,992	96,298
41,490	41,490	41,490	-
896,900	954,780	858,482	96,298
(60,000)	(31,488)	(31,044)	444
60,000	31,488	31,044	(444)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Pelham Union Free School District, New York

Capital Projects Fund
Comparative Balance Sheet
June 30,

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and equivalents	\$ 401,877	\$ 1,281,087
Due from other funds	<u>2,687</u>	<u>-</u>
Total Assets	<u>404,564</u>	<u>1,281,087</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,687	\$ 73,745
Due to other funds	<u>1,391</u>	<u>117</u>
Total Liabilities	4,078	73,862
Fund balance		
Restricted	<u>400,486</u>	<u>1,207,225</u>
Total Liabilities and Fund Balance	<u>\$ 404,564</u>	<u>\$ 1,281,087</u>

Pelham Union Free School District, New York

Capital Projects Fund

Comparative Statement of Revenues, Expenditures and Changes
in Fund Balance

Years Ended June 30,

	<u>2015</u>	<u>2014</u>
REVENUES	\$ -	\$ -
EXPENDITURES		
Capital outlay	<u>688,150</u>	<u>348,266</u>
Deficiency of Revenues Over Expenditures	<u>\$ (688,150)</u>	<u>\$ (348,266)</u>
OTHER FINANCING SOURCES (USES)		
Installment purchase debt issued	-	52,213
Transfers in	75,000	879,512
Transfers out	<u>(193,589)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(118,589)</u>	<u>931,725</u>
Net Change in Fund Balance	(806,739)	583,459
FUND BALANCE		
Beginning of Year	<u>1,207,225</u>	<u>623,766</u>
End of Year	<u>\$ 400,486</u>	<u>\$ 1,207,225</u>

Pelham Union Free School District, New York

Capital Projects Fund
Project-Length Schedule

Inception of Project Through June 30, 2015

Project	Project Authorization	Expenditures and Transfers to Date		
		Prior Years	Current Year	Total
Reconstruction and Roofing of School Buildings	\$ 24,284,928	\$ 23,847,137	\$ 437,791	\$ 24,284,928
Reconstruction of High School Facade Project	94,950	76,362	6,494	82,856
Safety and Security Project	800,000	29,204	368,948	398,152
Asbestos Work	68,506	-	68,506	68,506
Totals	<u>\$ 25,248,384</u>	<u>\$ 23,952,703</u>	<u>\$ 881,739</u>	<u>\$ 24,834,442</u>

Unexpended Balance	Methods of Financing					Fund Balance at June 30, 2015
	Proceeds of Obligations	State and Federal aid	Interfund Transfers	Other	Totals	
\$ -	\$ 23,227,473	\$ 991,527	\$ -	\$ 65,928	\$ 24,284,928	\$ -
12,094	-	-	81,494	-	81,494	(1,362)
401,848	-	-	800,000	-	800,000	401,848
-	-	-	68,506	-	68,506	-
<u>\$ 413,942</u>	<u>\$ 23,227,473</u>	<u>\$ 991,527</u>	<u>\$ 950,000</u>	<u>\$ 65,928</u>	<u>\$ 25,234,928</u>	<u>\$ 400,486</u>

Pelham Union Free School District, New York

Debt Service Fund
Comparative Balance Sheet
June 30,

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and equivalents	\$ 2,716,979	\$ 2,782,168
Due from other funds	<u>29</u>	<u>117</u>
Total Assets	<u>\$ 2,717,008</u>	<u>\$ 2,782,285</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	<u>\$ 2,687</u>	<u>\$ -</u>
Fund balance		
Restricted	2,339,321	2,082,285
Assigned	<u>375,000</u>	<u>700,000</u>
Total Fund Balance	<u>2,714,321</u>	<u>2,782,285</u>
Total Liabilities and Fund Balance	<u>\$ 2,717,008</u>	<u>\$ 2,782,285</u>

Pelham Union Free School District, New York

Debt Service Fund

Comparative Statement of Revenues, Expenditures and Changes
in Fund Balance

Years Ended June 30,

	<u>2015</u>	<u>2014</u>
REVENUES		
Use of money and property	<u>\$ 2,847</u>	<u>\$ 6,970</u>
EXPENDITURES		
Debt service		
Principal		
Installment purchase debt	17,404	17,405
Serial bonds	2,175,000	2,115,000
Interest		
Serial bonds	<u>1,527,525</u>	<u>1,606,119</u>
Total Expenditures	<u>3,719,929</u>	<u>3,738,524</u>
Deficiency of Revenues Over Expenditures	<u>(3,717,082)</u>	<u>(3,731,554)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	3,799,118	3,336,920
Transfers out	<u>(150,000)</u>	<u>(700,000)</u>
Total Other Financing Sources	<u>3,649,118</u>	<u>2,636,920</u>
Net Change in Fund Balance	(67,964)	(1,094,634)
FUND BALANCE		
Beginning of Year	<u>2,782,285</u>	<u>3,876,919</u>
End of Year	<u><u>\$ 2,714,321</u></u>	<u><u>\$ 2,782,285</u></u>

Pelham Union Free School District, New York

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015
(With Comparative Totals for 2014)

	School Lunch	Special Purpose	Permanent
ASSETS			
Cash and equivalents	\$ 394,455	\$ 907,039	\$ -
Receivables			
Accounts	2,700	-	-
State and Federal aid	9,386	-	-
Due from other funds	-	-	596,379
	12,086	-	596,379
Inventories	1,480	-	-
Total Assets	<u>\$ 408,021</u>	<u>\$ 907,039</u>	<u>\$ 596,379</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 111,360	\$ 11,734	\$ -
Due to other governments	270	-	-
Unearned revenues	38,435	-	-
Due to other funds	-	601,179	-
Total Liabilities	<u>150,065</u>	<u>612,913</u>	<u>-</u>
Fund balances			
Nonspendable	1,480	-	592,839
Restricted	-	294,126	3,540
Assigned	256,476	-	-
Total Fund Balances	<u>257,956</u>	<u>294,126</u>	<u>596,379</u>
Total Liabilities and Fund Balances	<u>\$ 408,021</u>	<u>\$ 907,039</u>	<u>\$ 596,379</u>

Total Non-Major
Governmental Funds

2015	2014
\$ 1,301,494	\$ 1,032,634

2,700	4,318
9,386	10,415
<u>596,379</u>	<u>35,112</u>

<u>608,465</u>	<u>49,845</u>
----------------	---------------

<u>1,480</u>	<u>6,533</u>
--------------	--------------

<u>\$ 1,911,439</u>	<u>\$ 1,089,012</u>
---------------------	---------------------

\$ 123,094	\$ 60,620
270	316
38,435	28,616
<u>601,179</u>	<u>363,835</u>

<u>762,978</u>	<u>453,387</u>
----------------	----------------

594,319	36,908
297,666	434,926
<u>256,476</u>	<u>163,791</u>

<u>1,148,461</u>	<u>635,625</u>
------------------	----------------

<u>\$ 1,911,439</u>	<u>\$ 1,089,012</u>
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Pelham Union Free School District, New York

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	School Lunch	Special Purpose	Permanent
REVENUES			
Use of money and property	\$ 207	\$ 101	\$ 103
State aid	8,834	-	-
Federal aid	136,272	-	-
Food sales	544,400	-	-
Miscellaneous	-	214,703	562,464
Total Revenues	<u>689,713</u>	<u>214,804</u>	<u>562,567</u>
EXPENDITURES			
Current			
Cost of food sales	602,081	-	-
Other	-	352,167	-
Total Expenditures	<u>602,081</u>	<u>352,167</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	87,632	(137,363)	562,567
FUND BALANCES			
Beginning of Year	<u>170,324</u>	<u>431,489</u>	<u>33,812</u>
End of Year	<u>\$ 257,956</u>	<u>\$ 294,126</u>	<u>\$ 596,379</u>

Total Non-Major Governmental Funds	
2015	2014
\$ 411	\$ 412
8,834	8,748
136,272	144,702
544,400	576,596
<u>777,167</u>	<u>498,744</u>
 1,467,084	 1,229,202
 602,081	 702,486
<u>352,167</u>	<u>315,469</u>
 954,248	 1,017,955
 512,836	 211,247
 635,625	 424,378
<u>\$ 1,148,461</u>	<u>\$ 635,625</u>

Pelham Union Free School District, New York

School Lunch Fund
Comparative Balance Sheet
June 30,

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and equivalents	<u>\$ 394,455</u>	<u>\$ 228,422</u>
Receivables		
Accounts	2,700	4,318
State and Federal aid	<u>9,386</u>	<u>10,415</u>
	<u>12,086</u>	<u>14,733</u>
Inventories	<u>1,480</u>	<u>6,533</u>
Total Assets	<u><u>\$ 408,021</u></u>	<u><u>\$ 249,688</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 111,360	\$ 50,432
Due to other governments	270	316
Unearned revenues	<u>38,435</u>	<u>28,616</u>
Total Liabilities	<u>150,065</u>	<u>79,364</u>
Fund balance		
Nonspendable	1,480	6,533
Assigned	<u>256,476</u>	<u>163,791</u>
Total Fund Balance	<u>257,956</u>	<u>170,324</u>
Total Liabilities and Fund Balance	<u><u>\$ 408,021</u></u>	<u><u>\$ 249,688</u></u>

Pelham Union Free School District, New York

School Lunch Fund

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

	<u>2015</u>	<u>2014</u>
REVENUES		
Use of money and property	\$ 207	\$ 221
State aid	8,834	8,748
Federal aid	136,272	144,702
Food sales	<u>544,400</u>	<u>576,596</u>
Total Revenues	689,713	730,267
EXPENDITURES		
Current		
Cost of food sales	<u>602,081</u>	<u>702,486</u>
Excess of Revenues Over Expenditures	87,632	27,781
FUND BALANCE		
Beginning of Year	<u>170,324</u>	<u>142,543</u>
End of Year	<u>\$ 257,956</u>	<u>\$ 170,324</u>

Pelham Union Free School District, New York

Special Purpose Fund
Comparative Balance Sheet
June 30,

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and equivalents	\$ 907,039	\$ 804,212
Due from other funds	-	1,300
Total Assets	<u>\$ 907,039</u>	<u>\$ 805,512</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 11,734	\$ 10,188
Due to other funds	<u>601,179</u>	<u>363,835</u>
Total Liabilities	612,913	374,023
Fund balance		
Restricted	<u>294,126</u>	<u>431,489</u>
Total Liabilities and Fund Balance	<u>\$ 907,039</u>	<u>\$ 805,512</u>

Pelham Union Free School District, New York

Special Purpose Fund

Comparative Statement of Revenues, Expenditures and Changes

in Fund Balance

Years Ended June 30,

	<u>2015</u>	<u>2014</u>
REVENUES		
Use of money and property	\$ 101	\$ 157
Miscellaneous	<u>214,703</u>	<u>498,744</u>
Total Revenues	214,804	498,901
EXPENDITURES		
Current		
Other	<u>352,167</u>	<u>315,469</u>
Excess (Deficiency) of Revenues Over Expenditures	(137,363)	183,432
FUND BALANCE		
Beginning of Year	<u>431,489</u>	<u>248,057</u>
End of Year	<u>\$ 294,126</u>	<u>\$ 431,489</u>

Pelham Union Free School District, New York

Permanent Fund
Comparative Balance Sheet
June 30,

	<u>2015</u>	<u>2014</u>
ASSETS		
Due from other funds	<u>\$ 596,379</u>	<u>\$ 33,812</u>
 FUND BALANCE		
Nonspendable	\$ 592,839	\$ 30,375
Restricted	<u>3,540</u>	<u>3,437</u>
 Total Fund Balance	<u>\$ 596,379</u>	<u>\$ 33,812</u>

Pelham Union Free School District, New York

Permanent Fund

Comparative Statement of Revenues, Expenditures and Changes

in Fund Balance

Years Ended June 30,

	<u>2015</u>	<u>2014</u>
REVENUES		
Use of money and property	\$ 103	\$ 34
Miscellaneous	<u>562,464</u>	<u>-</u>
Total Revenues	562,567	34
EXPENDITURES	<u>-</u>	<u>-</u>
Excess of Revenues over Expenditures	562,567	34
FUND BALANCE		
Beginning of Year	<u>33,812</u>	<u>33,778</u>
End of Year	<u>\$ 596,379</u>	<u>\$ 33,812</u>

Pelham Union Free School District, New York

General Fund

**Analysis of Change from Adopted Budget to Final Budget
Year Ended June 30, 2015**

Adopted budget		\$ 69,492,202
Additions		
Encumbrance		<u>951,791</u>
Original Budget		70,443,993
Budget amendments		<u>59,937</u>
Final Budget		<u><u>\$ 70,503,930</u></u>

General Fund

Section 1318 of Real Property Tax Law Limit Calculation

2015-16 Expenditure Budget		<u>\$ 70,154,600</u>
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**General Fund Fund Balance Subject to Section 1318 of
Real Property Tax Law**

Unrestricted fund balance		
Assigned fund balance	3,506,972	
Unassigned fund balance	<u>2,806,187</u>	
Total Unrestricted Fund Balance	<u>6,313,159</u>	
Less		
Appropriated for subsequent year's budget	1,775,000	
Encumbrances	<u>1,731,972</u>	
Total Adjustments	<u>3,506,972</u>	

**General Fund Fund Balance Subject to Section 1318 of
Real Property Tax Law**

\$ 2,806,187

Actual Percentage 4.00 %

Pelham Union Free School District, New York

Schedule of Net Investment
in Capital Assets
Year Ended June 30, 2015

Capital assets, net		\$ 52,604,543
Less		
Bonds payable	(39,065,000)	
Installment purchase debt payable	<u>(17,404)</u>	(39,082,404)
Plus		
Unamortized portion of premium and loss on refunding bonds		<u>410,906</u>
Net invested in capital assets		<u>\$ 13,933,045</u>

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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditors' Report

**The Board of Education of the
Pelham Union Free School District, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pelham Union Free School District, New York ("School District") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 3, 2015.

Internal Control Over Financial Reporting

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

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

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

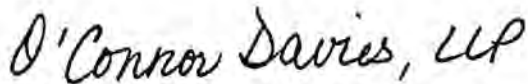
Compliance and Other Matters

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

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

Purpose of this Report

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



O'Connor Davies, LLP

Harrison, New York

September 3, 2015

**Report on Compliance For Each Major Federal Program and Report on
Internal Control Over Compliance Required by OMB A-133**

Independent Auditor's Report

**The Board of Education of the
Pelham Union Free School District, New York**

Report on Compliance for Each Major Federal Program

We have audited Pelham Union Free School District, New York's ("School District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance *Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, 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, 2015.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
September 3, 2015

Pelham Union Free School District, New York

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number (1)</u>	<u>Federal Program Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Indirect Programs - Passed through New York State Department of Education		
<i>Child Nutrition Cluster</i>		
National School Lunch Program (NSLP) - Commodities	10.555	\$ 24,458
School Breakfast Program (SBP)	10.553	5,173
National School Lunch Program (NSLP) - Cash	10.555	<u>106,641</u>
Total U.S. Department of Agriculture		<u>136,272</u>
<u>U.S. Department of Education</u>		
Indirect Programs - Passed through New York State Department of Education		
Chapter I Programs - Local Educational Agencies	84.010	73,788
<i>Special Education Cluster (IDEA)</i>		
Special Education - State Grants (IDEA, Part B)	84.027	506,637
Special Education - Preschool Grants (IDEA Preschool)	84.173	9,626
Improving Teacher Quality State Grants	84.367	<u>48,911</u>
Total U.S. Department of Education		<u>638,962</u>
Total Expenditures		<u>\$ 775,234</u>

(1) Catalog of Federal Domestic Assistance number.

The accompanying notes are an integral part of this schedule.

Pelham Union Free School District, New York

Notes to Schedule of Expenditures of Federal Awards
June 30, 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. *General*

The accompanying Schedule of Expenditures of Federal Awards presents all activity of all federal awards programs for the year ended June 30, 2015. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule.

2. *Basis of Accounting*

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

3. *Relationship to Financial Statements*

The District's fund financial statements are presented using the modified accrual basis of accounting.

Pelham Union Free School District, New York

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

None

Pelham Union Free School District, New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting {*unqualified, qualified, adverse, or disclaimer*}:

Internal control over financial reporting:

- | | | |
|---|-----------------|----------------------------|
| • Material weakness(es) identified | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |
| • Noncompliance material to financial statements noted? | <u> </u> yes | <u> X </u> no |

Federal Awards

Internal control over major programs:

- | | | |
|---|-----------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |

Type of auditor's report issued on compliance for major programs {*unqualified, qualified, adverse, or disclaimer*}:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027
84.173

Special Education Cluster:
Special Education – State Grants (IDEA, Part B)
Special Education – Preschool Grants (IDEA Preschool)

Pelham Union Free School District, New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

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

\$300,000
X Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None