

**BLIND BROOK-RYE UNION FREE SCHOOL DISTRICT**

**Westchester County, New York**

**(the “School District”)**

**2014 FINANCIAL INFORMATION  
FOR  
CONTINUING DISCLOSURE REQUIREMENT**

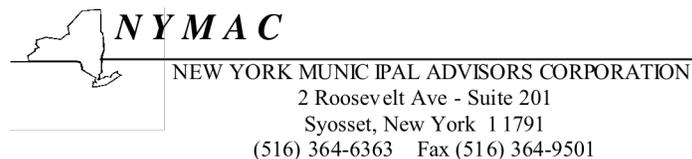
**As of June 30, 2014  
(Unless otherwise noted)**

New York Municipal Advisors Corporation (“NYMAC”) has assisted the School District in preparing and submitting this financial update. The information contained herein has been obtained and extracted from various public reports and documents. While NYMAC and the School District believe this information to be materially accurate and not misleading, no guarantee can be made as to the accuracy or sufficiency thereof.

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PREPARED WITH THE ASSISTANCE OF



## DESCRIPTION OF THE DISTRICT

### General Information

The District, with a population of 6,393 people according to the 2010 US Census, is located wholly within the Village of Rye Brook in south-eastern Westchester County (the "County"), approximately 25 miles from Mid-Town Manhattan. An upper middle-class community, nearly all residents of the District are executives or professionals. The District is comprised mainly of single-family homes, with some condominium development and light industry, consisting mainly of office complexes. The Westchester County Airport is partially located within the boundaries of the District.

Municipal services such as water, sewer, police and fire protection are provided to the residents of the District by the Village of Rye Brook (the "Village"). Gas service is provided by Con Edison of New York and electric service is provided by the Power Authority of the State of New York, while telephone access is provided by Verizon and Cablevision.

The residents of the District have an excellent transportation network at their disposal. The Hutchinson River Parkway bisects the District, which affords its residents high speed highway access to numerous nearby highways, including the Merritt Parkway in Connecticut and the Cross-Westchester Expressway (I-287) which ultimately connects with the New York State Thruway (I-87) to the west and the New England Thruway (I-95) to the east. Electrified Rail Service is available from the Metropolitan Transportation Authority (Metro-North Division), which operates stations in nearby Port Chester and Rye.

### Comparative Income and Housing Data

Per capita income and housing data are not available for the District as such. The information set forth below with respect to the United States, State, County and Village is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that such data is necessarily representative of the District, or vice versa.

	<u>Village</u>	<u>County</u>	<u>State</u>	<u>United States</u>
Per Capita Income	\$ 73,563	\$ 48,385	\$32,104	\$28,051
Median Housing Income	119,886	81,093	57,683	53,046
Median Family Income	170,904	103,545	96,853	64,585

Source: U.S. Department of Commerce, Bureau of the Census. Data based on the 2010 Census and 2012 Census estimates.

### Larger Taxpayers

<u>Name</u>	<u>Type</u>	<u>2013 Assessed Valuation</u>
Reckson Operating Partners*	Commercial Offices	\$83,669,800
KSB Arrowwood*	Hotel and Conference Center	80,212,900
Westchester County Airport	Airport	35,350,600
Stone Gate at Belle Fair LLC	Assisted Living Facility	27,000,000
Rye King Associates, LLC*	Commercial Offices	18,511,600
Con Edison	Public Utility	13,894,300
Iroquois Gas Trans System	Gas Company	12,508,500
Blind Brook Club, Inc.*	County Club	9,939,200
United Water	Water company	9,724,100
King Street Home, Inc.	Nursing Home	7,292,100

\* Taxpayer has filed a tax certiorari in 2013.

## Unemployment Rate Statistics

Unemployment statistics are not available for the School District as such. The information set forth below with respect to the County and the State is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the County or State is necessarily representative of the School District, or vice versa.

	<u>Year Average</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Westchester County	7.2%	7.3%	6.8%	7.2%	6.3%
New York State	8.3%	8.6%	8.2%	8.5%	7.7%

	<u>2014 Monthly Figures</u>							
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>
Westchester County	6.0%	6.3%	5.7%	4.6%	5.1%	5.1%	5.5%	5.3%
New York State	7.3%	7.7%	7.2%	6.1%	6.4%	6.5%	6.7%	6.1%

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

## District Organization

Subject to the provisions of the State Constitution, the District operates pursuant to the Education Law, the Local Finance Law, other laws generally applicable to the District, and any special laws applicable to the District. Under such laws, there is no authority for the District to have a charter or adopt local laws.

The legislative power of the District is vested in the Board of Education. Under current law, an election is held within the District boundaries on the third Tuesday of May each year to elect members of the Board of Education. They are generally elected for staggered terms of three years.

In early July of each year, the Board of Education meets for the purpose of reorganization. At that time the Board elects a President and Vice President, and appoints a District Clerk and District Treasurer.

## Financial Organization

Pursuant to the Local Finance Law, the President of the Board of Education is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and the Assistant Superintendent, Finance & Facilities.

## District Facilities

<u>Name</u>	<u>Grades</u>	<u>Year Built</u>	<u>Capacity</u>
Ridge Street School	K-5	1946	800
Blind Brook Middle School	6-8	2002	425
Blind Brook High School	9-12	1973	525

## Enrollment History and Projections

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>Projected 2015-16</u>	<u>Projected 2016-17</u>
K-6	1,545	1,497	1,484	1,508	1,494	1,480	1,450

Source: District records and estimates.

## DISTRICT INDEBTEDNESS

### Computation of Debt Limit and Debt Contracting Margin

The following table sets forth the computation of the debt limit of the School District and its debt contracting margin as of October 24, 2014.

Full valuation of taxable real property .....	\$1,910,128,309
Debt limit (10% of full valuation) .....	191,012,830
Outstanding Indebtedness <sup>1</sup> (Principal Only):	
Refunded Bonds <sup>2</sup> .....	\$11,685,000
Principal of Refunding Issue .....	10,085,000
Bonds (Not Being Refunded) .....	6,580,000
Less Exclusion for Estimated Building Aid <sup>3</sup> .....	0
 Total Net Indebtedness .....	 \$28,350,000
 Net Debt Contracting Margin .....	 \$162,662,830
 Percentage of Debt Contracting Power Exhausted .....	 14.8%

<sup>1</sup> Tax anticipation notes and revenue anticipation notes are not included in the computation of the statutory debt limit of the District.

<sup>2</sup> These bonds have been refunded and will be called on December 15, 2014. All future payments of both principal and interest will be provided for from an Escrow Deposit Fund however, the Local Finance Law of the State does not provide for the exclusion of such debt from the District's debt statement.

<sup>3</sup> The District may exclude from gross indebtedness estimated State aid for school building purposes. However, because the District has not applied for a Building Aid Estimate from the Commissioner of Education, no exclusion for such aid is listed in the Debt Statement Summary. Under current law, State Building Aid is, however, currently estimated by the District to be approximately 49% of the total net indebtedness shown above.

### Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness, inclusive of the totals of the Bonds and Refunded Bonds, as of October 24, 2014.

	<u>Amount<sup>1</sup></u>	<u>Per Capita<sup>2</sup></u>	<u>Percentage of Full Value<sup>3</sup></u>
Gross Indebtedness (see " <i>Computation of Debt Limit</i> ")	\$28,350,000	\$4,435	1.48%
Gross Indebtedness plus Net Overlapping Indebtedness (see " <i>Estimated Overlapping Indebtedness</i> " herein)	\$49,743,760	\$7,781	2.60%

<sup>1</sup> Includes the total of the Bonds and Refunded Bonds.

<sup>2</sup> The current estimated population of the District is 6,393.

<sup>3</sup> The District's full value of taxable real estate for 2013-14 is \$1,910,128,309.

### Bond Anticipation Notes

There are currently no bond anticipation notes outstanding.

### Revenue and Tax Anticipation Notes

The District has not found it necessary to borrow in anticipation of taxes or revenues during at least the past five years.

**Capital Project Plans**

The District does not have any debt obligations authorized but unissued at the present time, nor does it have plans to issue bonds or notes for capital purposes in the immediate future.

**Lease Financings**

The District currently plans on issuing a total amount of \$3,100,000 for an energy performance contract by the summer of 2015.

**Long-Term Debt Service Schedule**

The following table sets forth all principal and interest payments presently required on all outstanding long-term bond indebtedness of the District, excluding any previously refunded bonds. The table was prepared after the issuance of the refunding issue of November 13, 2014.

Fiscal Year Ending June 30th	Principal	Interest	Total Principal & Interest
2015	\$1,645,000	\$733,004	\$2,378,004
2016	1,565,000	656,400	2,221,400
2017	1,605,000	604,525	2,209,525
2018	1,620,000	543,650	2,163,650
2019	1,640,000	478,150	2,118,150
2020	1,675,000	403,700	2,078,700
2021	1,710,000	323,250	2,033,250
2022	945,000	236,625	1,181,625
2023	990,000	188,249	1,178,249
2024	1,040,000	137,500	1,177,500
2025	1,090,000	84,250	1,174,250
2026	1,140,000	28,500	1,168,500
<b>Totals</b>	<b><u>\$16,665,000</u></b>	<b><u>\$4,417,803</u></b>	<b><u>\$21,082,803</u></b>

**Outstanding Long-Term Bond Indebtedness**

The following table sets forth the total long-term bond indebtedness outstanding at the end of the last five fiscal years of the District.

<u>Year</u>	<u>Total Bonded Debt</u>
2010.....	\$25,190,000
2011.....	23,155,000
2012.....	21,505,000
2013.....	19,895,000
2014.....	18,265,000

## Details of Outstanding Indebtedness

The following table sets forth the District's indebtedness, inclusive of the totals of the Bonds and the Refunded Bonds, as of October 24, 2014.

Bonds	2015-2025	<u>\$28,350,000</u>
Total Debt Outstanding		<u>\$28,350,000</u>

## Estimated Overlapping Indebtedness

In addition to the School District, the following political subdivisions have the power to issue obligations and to levy taxes or cause taxes to be levied on taxable real property in the School District. The estimated outstanding indebtedness of such political subdivisions applicable to the District is as follows:

<u>Unit</u>	<u>Outstanding Indebtedness</u>	<u>District's Share<sup>1</sup></u>	<u>Applicable Indebtedness</u>
County of Westchester	\$1,335,220,744	1.32%	\$17,624,914
Town of Rye	550,000	31.6	173,800
Village of Rye Brook	4,938,250	72.8	<u>3,595,046</u>
Total			<u>\$21,393,760</u>

Source: New York State Comptroller's Special Report on Municipal Affairs for local fiscal year ending in 2012.

## FINANCIAL FACTORS

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. (A statement of such revenues and expenditures for the five year period ending June 30, 2014 is contained in the Appendix A). The District also has the following funds: Trust and Agency, Special Aid, Special Revenue, School Lunch, Capital Projects and Fiduciary. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

## Real Estate Property Tax Collection Procedure

District taxes are collected by the Towns' Receivers of Taxes. The first half is due and payable without penalty during the month of September, subject to a 2% penalty if paid during October, 5% if paid during November, 7% if paid during December or January, 10% if paid during February or March and 12% thereafter to the date of sale of tax liens for unpaid taxes. The second half is due and payable without penalty during the month of January, subject to a 10% penalty if paid during February or March and 12% thereafter to the date of sale of tax liens. In Westchester County, taxes are collected by the Towns which are obligated to pay the full amount of the tax levy to the school districts by April 1.

## Real Property Tax, Valuations, Tax Levy, Rates and Uncollected Taxes

Year Ending June 30:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Assessed Valuation	\$2,287,381,509	\$2,218,904,827	\$2,025,591,931	\$1,948,633,813	\$1,910,128,309
New York State Equalization Rate	100%	100%	100%	100%	100%
Full Valuation	\$2,287,381,509	\$2,218,904,827	\$2,025,591,931	\$1,948,633,813	\$1,910,128,309
Total Tax Levy	\$30,488,617	\$30,708,351	\$31,165,453	\$31,604,344	\$32,706,511
Tax Rate Per \$1,000 A.V.					
Homestead	\$13.57	\$14.07	\$15.41	\$16.17	\$17.25
Non-Homestead	19.96	21.10	24.30	26.16	26.09
Uncollected Taxes End of Fiscal Year <sup>2</sup>	None	None	None	None	None

<sup>1</sup>See "Tax Collection Procedure."

## TAX INFORMATION

### Tax Limit

The Constitution does not limit the amount that may be raised by the District-wide tax levy on real estate in any fiscal year. However, the Tax Levy Limit Law imposes a statutory limit on the amount of real property taxes that a school district may levy. (See “*The Tax Levy Limit Law*” herein.)

### The Tax Levy Limit Law

On June 24, 2011, Chapter 97 of the Laws of 2011 (herein referred to as the “Tax Levy Limit Law” or “Law”) was signed by the Governor. The Tax Levy Limit Law modified previous law by imposing a limit on the amount of real property taxes that a school district may levy.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year’s budget or one hundred twenty percent (120%) of the consumer price index (“CPI”).

Under the Tax Levy Limit Law, there is now a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the consumer price index, subject to certain exclusions as mentioned below and as described in the Law. A budget with a tax levy that does not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a budget with a tax levy in excess of the limit. In the event the voters reject the budget, the tax levy for the school district’s budget for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures, and the refinancing or refunding of such bonds or notes (such as the Bonds), certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

### STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program.

Approximately 6.6% of the District’s 2014-2015 school tax levy is expected to be exempted by the STAR program. The District expects to receive full STAR reimbursement during the 2014-2015 fiscal year.

### State Aid

The District receives State aid for operating and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. In its adopted 2014-2015 General Fund Budget, the District expects to receive approximately 6.4% of its operating revenues in the form of State aid. (See “*Events Affecting State Aid to New York School Districts*” below.)

In addition to the amount of State Aid budgeted by the District in its 2014-2015 fiscal year, the State is expected to make payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR (see “*STAR-School Tax Exemption*”) Program in the 2014-2015 fiscal year.

There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be

paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor.

Should the District fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

### **Events Affecting State Aid to New York School Districts**

State aid to school districts in the State has declined in some recent years.

*School district fiscal year (2009-2010):* Total State aid for the 2009-2010 fiscal year was maintained at the 2008-2009 levels in part due to the use of Federal aid made available as part of the American Reinvestment and Recovery Act of 2009 (“ARRA”). During said fiscal year, the District’s receipt of State aid was delayed as a result of several initiatives adopted by then Governor Paterson in response to the State’s ongoing and worsening fiscal crisis. Despite such delays, the District did receive all of the State aid due to it for the fiscal year ended June 30, 2010.

*School district fiscal year (2010-2011):* The total reduction in State aid for the 2010-2011 fiscal year was approximately \$2.1 billion; however, this amount was partially offset by \$726 million in Federal aid for education, including funding from ARRA and other federal initiatives. As a result, the net State aid reduction totaled approximately \$1.4 billion.

*School district fiscal year (2011-2012):* The total reduction in State aid for the 2011-2012 fiscal year was \$1.3 billion or 6.1 percent from the previous year, and all aid was received on time.

*School district fiscal year (2012-2013):* The State Legislature adopted the State budget on March 30, 2012. The budget includes an increase of \$751 million in State aid for school districts.

*School district fiscal year (2013-2014):* The State Legislature adopted the State budget on March 29, 2013. The budget includes an increase of \$1.0 billion in State aid for school districts.

*School district fiscal year (2014-2015):* The State Legislature adopted the State budget on March 31, 2014. The budget includes an increase of \$1.1 billion in State aid for school districts.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the District’s 2014-2015 fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also “*Market Factors Affecting Financing of the State and School Districts of the State*” herein).

### **Other Revenues**

In addition to property taxes and State Aid, the District receives other revenues from miscellaneous sources as shown in Appendix A.

## **BUDGETARY PROCEDURES**

The District’s fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District’s financial plan and enrollment projection are reviewed and updated and the first draft of the next year’s proposed budget is developed by the central office staff. During the winter and early spring the budget is developed and refined in conjunction with the school building principals and department supervisors. The District’s budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. (See “*The Tax Levy Limit Law*” herein).

On May 20, 2014, a majority of the voters of the District approved the District’s budget for the 2014-2015 fiscal year. A summary of the District’s Adopted Budget for the fiscal year 2014-2015 may be found in Appendix A herein.

## **FINANCIAL STATEMENTS AND ACCOUNTING PROCEDURES**

The financial accounts of the District are maintained in accordance with the New York State Uniform System of Accounting for School Districts. Such accounts are audited annually by independent auditors, and are available for public inspection upon request.

### **THE STATE COMPTROLLER'S FISCAL STRESS MONITORING SYSTEM**

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The District is not listed in any of the three established stress categories according to the most current applicable report of the State Comptroller, therefore they have been categorized "No Designation".

For a complete list of school district and municipal fiscal stress scores, visit:

For municipalities, [http://www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/stress\\_list.pdf](http://www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/stress_list.pdf)

For municipalities, [http://www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/municipalities\\_summary\\_list.pdf](http://www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/municipalities_summary_list.pdf)

For a complete description of the Comptroller's Fiscal Stress Monitoring System visit:

<http://osc.state.ny.us/localgov/pubs/fiscalmonitoring/pdf/fiscalstressmonitoring.pdf>

For quick facts on the Fiscal Monitoring System, visit:

[http://www.osc.state.ny.us/press/fiscal\\_stress\\_monitoring/june\\_2013/fact\\_sheet\\_monitoring\\_system.pdf](http://www.osc.state.ny.us/press/fiscal_stress_monitoring/june_2013/fact_sheet_monitoring_system.pdf)

Note: Reference to websites implies no warranty of accuracy of information therein.

### **INVESTMENT POLICY**

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the District is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the District; (5) certificates of participation issued in connection with installment purchase contracts entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the District pursuant to law, in obligations of the District.

All of the foregoing instruments and investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of instruments or investments purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in the custody of a bank or trust company in the State pursuant to a written custodial agreement as provided in Section 10 of the GML.

The Board of Education of the District has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the District are made in accordance with such policy.

**GENERAL FUND OPERATIONS**

Appendix A sets forth the General Fund operations for the last five fiscal years which are derived from the Audited Financial Statements of the District on file in the Superintendent's office.

**EMPLOYEES**

The number of persons employed by the District, the collective bargaining agents, if any, which represent them and the dates of expirations of the various collective bargaining agreements are as follows:

<u>No. of Employees</u>	<u>Union</u>	<u>Contract Expiration Date</u>
155	Blind Brook - Rye Federation of Teachers	June 30, 2016
91	Blind Brook - Rye Employees Local 4060	June 30, 2009 <sup>1</sup>
11	Association of Blind Brook - Rye Administrators	June 30, 2015

<sup>1</sup>Contract in negotiation.

**EMPLOYEE PENSION BENEFITS**

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System (“TRS”). Payments to the TRS are generally deducted from State aid payments. All non-NYS certified/civil service employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System (“ERS”). Both the TRS and ERS are non-contributory with respect to members hired prior to July 1, 1976. Other than as discussed below, all members of the respective systems hired on or after July 1, 1976 with less than 10 year’s full-time service contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, the Governor signed in to law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010 and before March 16, 2012. New ERS employees will now contribute 3% of their salaries and new TRS employees will contribute 3.5% of their salaries. There is no provision for these contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a new Tier VI for employees hired after April 1, 2012. The Division of the Budget estimates the new tier will save the State and local governments outside of New York City \$80 billion over the next 30 years. The new pension tier has progressive contribution rates between 3% and 6%; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier VI, the pension multiplier will be 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee’s pension is capped at \$15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of \$75,000 or more.

With regard to the ERS, a pension reform bill has been signed by the Governor into Law as Chapter 49 of the Laws of 2003. Chapter 49 changes the cycle of billing to match budget cycles of the District. Under the previous method, the District was unsure of how much it paid to the system until after its budget was implemented. Under the new system the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1 instead of the following April 1 so that the District will be able to more accurately include the cost of the contribution into its budget. Chapter 49 requires the District to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible.

On July 20, 2004 the New York State Legislature passed a bill amending the General Municipal Law, Local Finance Law and the Retirement and Social Security Law. On July 30, 2004, the Governor signed the new retirement system legislation into Law as Chapter 260 of the Laws of 2004. The bill moved the annual payment date for contributions from December 15<sup>th</sup> to February 1<sup>st</sup>, effective December 15, 2004. During its 2004 Session the New York State Legislature enacted further pension relief in the form of Chapter 260 of the Laws of 2004 (“Chapter 260”). Among other things, Chapter 260 changed the pension payment date for all local governments from December 15 to February 1.

Due to past poor performance of the investment portfolio of TRS and ERS, the employer contribution rates for required pension contributions to the TRS and ERS in 2011 and subsequent years increased. To help mitigate the impact of such increases, legislation has been enacted that permits school district to amortize a portion of its contributions to the ERS only. The District did not participate in this program.

In Spring 2013, the State and TRS approved a Stable Contribution Option (“SCO”) that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates (“ARCs”). ERS followed suit and modified its existing SCO, which was adopted in 2010. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts as described below. For TRS, the 2013-14 SCO rate is 14%. For ERS, it is 12%. The TRS SCO deferral plan is available to school districts for the next 6 years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%. The primary benefit of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with significant assistance in its ability to create a stable and reliable fiscal plan. The District does not plan to participate in the TRS and ERS SCO program.

## **OTHER POST EMPLOYMENT BENEFITS**

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School Districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB Statement No. 45 (“GASB 45”) of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits (“OPEB”). GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 45 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Under GASB 45, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the District account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members. Actuarial valuation will be required every 2 years for the District.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The District is in compliance with the requirements of GASB 45. The District hired an actuarial firm for the actuarial valuation which calculated an ARC of \$3,306,058 and an unfunded actuarial accrued liability of \$37,273,627 as of July 1, 2013. For the year ended June 30, 2014, the District's ARC was \$3,306,058.

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District’s finances and could force the District to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the District to partially fund its actuarial accrued OPEB liability. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the District has decided to continue funding the expenditure on a pay-as-you-go basis.

#### **MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND SCHOOL DISTRICTS OF THE STATE**

The financial condition of the District as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or at any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowing and the market for and market value of the outstanding debt obligations, including the Bonds, could be adversely affected.

The financial condition of the District is dependent in part on financial assistance from the State in the form of State aid that has been and is expected to be received from the State in the future. However, the State is not constitutionally obligated to maintain or continue State aid to municipalities and school districts in the State, including the District and, as a result, no assurance can be given that present State aid levels will be maintained in the future, particularly if the State should experience financial difficulty of its own. In some recent years, the District’s receipt of State aid was delayed as a result of the State’s delay in adopting its budget and appropriating State aid to municipalities and school districts and other circumstances, including State fiscal stress. Should the District fail to receive State aid from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District may be adversely affected by such a delay. However, if the District anticipates a delay in the payment of such State aid, it is authorized by the Local Finance Law to provide operating funds by borrowing on account of such uncollected State aid or mid-year reductions in such aid. There can be no assurance that in such event, the District will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State aid would likely have a materially adverse effect upon the District requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also “*State Aid*” and “*Events Affecting State Aid to New York School Districts*”.)

#### **LITIGATION**

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the Attorney for the District, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or actions pending which, if determined against the District, would have an adverse material effect on the financial condition of the District.

There are pending certiorari proceedings, the results of which may 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.

#### **ADDITIONAL INFORMATION**

Additional information may be obtained upon request from New York Municipal Advisors Corporation (NYMAC) 516-364-6363 or from the District's Assistant Superintendent for Finance and Facilities 914-937-3600 x3025.

**Blind Brook - Rye Union Free School District  
Revenues, Expenditures and Fund Balance  
General Fund**

**APPENDIX A**

Year Ended June 30:	2010	2011	2012	2013	2014
<b>REVENUES</b>					
Real Property Taxes	\$30,488,617	\$30,708,275	\$31,165,456	\$31,604,346	\$32,706,511
Other Tax Items	3,427,276	3,533,547	3,399,016	3,443,319	3,434,944
Non Property Taxes	263,910	284,870	304,365	308,655	336,806
Charges for Services	379,846	398,402	308,305	373,733	626,347
Use of Money and Property	233,245	240,043	275,649	267,663	240,949
Sale of Property and Compensation for Loss	1,293	28,847	9,223	4,070	240
State Sources	2,283,044	2,248,391	2,267,059	2,353,646	2,465,402
Federal Sources	314,998	128,707	0	2,881	0
Miscellaneous	158,828	273,688	182,339	122,081	109,586
<b>Total Revenues</b>	<b>37,551,057</b>	<b>37,844,770</b>	<b>37,911,412</b>	<b>38,480,394</b>	<b>39,920,785</b>
<b>EXPENDITURES</b>					
General Support	3,924,966	4,138,238	4,567,937	3,740,217	3,799,283
Instruction	22,032,145	22,343,552	22,487,691	22,636,896	23,272,452
Pupil Transportation	1,066,941	1,129,554	1,113,550	1,107,744	1,126,475
Community Services	0	0	0	0	0
Employee Benefits	6,387,793	6,866,108	8,034,167	8,315,657	9,479,391
Debt Service	2,878,776	2,810,618	2,630,079	2,542,937	2,470,550
<b>Total Expenditures</b>	<b>36,290,621</b>	<b>37,288,070</b>	<b>38,833,424</b>	<b>38,343,451</b>	<b>40,148,151</b>
Excess (Deficiency) of Revenues Over Expenditures	1,260,436	556,700	(922,012)	136,943	(227,366)
Other Financing Sources (Uses):					
Operating Transfers In	0	5,370	100,000	100,000	100,000
Operating Transfers Out	(244,724)	(28,435)	(33,279)	(31,142)	(30,262)
<b>Total Other Financing Sources</b>	<b>(244,724)</b>	<b>(23,065)</b>	<b>66,721</b>	<b>68,858</b>	<b>69,738</b>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,015,712	533,635	(855,291)	205,801	(157,628)
Fund Balances (Deficits) - Beginning of Year	3,739,008	4,754,720	5,288,355	4,433,064	4,638,865
Accounting Change Adjustment	0	0	0	0	0
<b>Fund Balances - End of Year</b>	<b>\$4,754,720</b>	<b>\$5,288,355</b>	<b>\$4,433,064</b>	<b>\$4,638,865</b>	<b>\$4,481,237</b>

Source: Annual audited financial statements of the Blind Brook - Rye Union Free School District.  
Summary itself not audited.

**Blind Brook - Rye Union Free School District**  
**Budget**  
**General Fund**

**APPENDIX A-1**

	2013-2014 Adopted Budget (1)	2014-2015 Adopted Budget (2)
<b><u>REVENUES</u></b>		
Real Property Taxes	\$35,209,944	\$35,788,724
Other Property Tax Items	945,208	1,271,615
State Aid	2,447,939	2,588,046
Other Sources	949,150	919,408
Interfun Transfers	100,000	100,000
Appropriated Fund Balance	<u>1,600,000</u>	<u>1,600,000</u>
Total Revenues	<u><u>\$41,252,241</u></u>	<u><u>\$42,267,793</u></u>
<b><u>EXPENDITURES</u></b>		
General Support	\$3,909,981	\$3,982,175
Instruction	23,691,133	24,158,443
Pupil Transportation	1,146,022	1,344,117
Community Services	1,000	1,000
Employee Benefits	9,997,214	10,321,564
Transfers	36,341	34,337
Debt Service	<u>2,470,550</u>	<u>2,426,157</u>
Total Expenditures	<u><u>\$41,252,241</u></u>	<u><u>\$42,267,793</u></u>

(1) The budget for the 2013-2014 fiscal year was approved by voters of the District on May 21, 2013.

(2) The budget for the 2014-2015 fiscal year was approved by voters of the District on May 20, 2014.

Source: Annual budgets of the Blind Brook - Rye Union Free School District.

**Blind Brook - Rye Union Free School District  
Balance Sheets  
General Fund**

**APPENDIX A-2**

As of June 30:	<u>2013</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
Cash and Equivalents	\$ 6,861,166	\$ 7,596,673
Receivables:		
State and Federal Aid	200,832	186,725
Due from Other Governments	75,169	85,619
Due from Other Funds	358,950	244,898
Prepaid Expenditures	<u>320,382</u>	<u>325,479</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$7,816,499</u></u></b>	<b><u><u>\$8,439,394</u></u></b>
<b><u>LIABILITIES</u></b>		
Accounts Payable	\$ 398,937	\$ 297,664
Accrued Liabilities	241,435	234,221
Due to Other Funds	0	12,896
Due to Other Governments	8,044	0
Due to Retirement Systems	<u>2,529,218</u>	<u>3,413,376</u>
<b>TOTAL LIABILITIES</b>	<b><u><u>3,177,634</u></u></b>	<b><u><u>3,958,157</u></u></b>
<b><u>FUND BALANCES</u></b>		
Nonspendable	320,382	325,479
Restricted	960,359	853,535
Assigned	1,712,406	1,713,260
Unassigned	<u>1,645,718</u>	<u>1,588,963</u>
<b>TOTAL FUND BALANCES</b>	<b><u><u>4,638,865</u></u></b>	<b><u><u>4,481,237</u></u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u><u>\$7,816,499</u></u></b>	<b><u><u>\$8,439,394</u></u></b>

Source: Annual audited financial statements of the Blind Brook - Rye Union Free School District.  
Summary itself not audited.