

BLIND BROOK-RYE UNION FREE SCHOOL DISTRICT

Westchester County, New York

(the “School District”)

**2017 FINANCIAL INFORMATION
FOR
CONTINUING DISCLOSURE REQUIREMENT**

**As of June 30, 2017
(Unless otherwise noted)**

DESCRIPTION OF THE DISTRICT

General Information

The District, with a population of 6,405 people according to the 2014 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	\$ 73,273	\$ 48,487	\$32,829	\$28,555
Median Housing Income	139,741	83,422	58,687	53,482
Median Family Income	175,478	106,819	71,419	65,443

Source: U.S. Department of Commerce, Bureau of the Census. Data based on the 2014 Census estimates.

Larger Taxpayers

<u>Name</u>	<u>Type</u>	<u>2017 Assessed Valuation</u>
Doral Conference Center Assoc.	Hotel & Conference Center	\$84,368,300
Reckson Operating Partners*	Commercial Offices	84,849,700
Westchester County Airport 7	Airport	44,592,750
VTR Rye Brook, LLC	Commercial Offices	32,805,400
SC Rye Brook Partners	Commercial Offices	24,575,300
Con Edison	Public Utility	16,396,299
Rye King Associates, LLC*	Commercial Offices	15,150,000
Blind Brook Club, Inc.*	Country Club	10,404,800
Iroquois Gas Trans System	Gas Company	9,821,243
Toll Land V Limited Partnership	Home Development	7,937,000

* 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Westchester County	7.0%	7.2%	6.3%	5.1%	4.6%	4.2%
New York State	8.3%	8.5%	7.7%	6.3%	5.3%	4.8%

	<u>2017 Monthly Figures</u>					
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>
Westchester County	4.5%	4.8%	4.1%	4.1%	4.1%	4.5%
New York State	4.9%	5.0%	4.4%	4.2%	4.3%	4.5%

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>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	Projected <u>2018-19</u>	Projected <u>2019-20</u>
K-6	1,508	1,531	1,507	1,467	1,439	1,424	1,397

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 June 30, 2017.

Full valuation of taxable real property	\$2,190,441,713
Debt limit (10% of full valuation)	219,044,171
Outstanding Indebtedness ¹ (Principal Only):	
Bonds	\$11,850,000
Less Exclusion for Estimated Building Aid ²	<u>0</u>
Total Net Indebtedness	<u>\$11,850,000</u>
Net Debt Contracting Margin	<u>\$207,194,171</u>
Percentage of Debt Contracting Power Exhausted	5.4%

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

² 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, as of June 30, 2016.

	<u>Amount¹</u>	<u>Per Capita²</u>	<u>Percentage of Full Value³</u>
Gross Indebtedness (see “ <i>Computation of Debt Limit</i> ”)	\$11,850,000	\$1,850.12	0.54%
Gross Indebtedness plus Net Overlapping Indebtedness (see “ <i>Estimated Overlapping Indebtedness</i> ” herein)	\$14,830,000	\$2,315.38	0.68%

¹ Includes the total of the Bonds and Refunded Bonds.

² The current estimated population of the District is 6,405.

³ The District's full value of taxable real estate for 2016-2017 is \$2,190,441,713.

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

On October 17, 2017 the voters approved a bond issue not to exceed \$44,700,000 to construct alterations and improvements to District school buildings and the sites thereof. As of June 30, 2017, the District has not issued any long term debt.

Lease Financings

The following is a summary of the District’s lease finance obligations.

Fiscal Year Ending June 30th	Principal	Interest	Total Principal and Interest
2018	\$182,050	\$63,232	\$245,282
2019	186,193	59,089	245,282
2020	190,430	54,852	245,282
2021	194,763	50,518	245,281
2022	199,195	46,086	245,281
2023-2027	1,066,068	160,338	1,226,406
2028-2031	820,915	37,569	858,484
Totals	\$2,839,614	\$471,684	\$3,311,298

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.

Fiscal Year Ending June 30th	Principal	Interest	Total Principal & Interest
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
Totals	\$11,850,000	\$2,423,874	\$14,273,874

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>
2013	\$19,895,000
2014	18,265,000
2015	15,020,000
2016	13,455,000
2017	11,850,000

Details of Outstanding Indebtedness

The following table sets forth the District's indebtedness, inclusive of the totals of the Bonds, as of June 30, 2017.

		<u>Amount</u>
Bonds	2018-2026	<u>\$11,850,000</u>
Total Debt Outstanding		<u>\$11,850,000</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>Net Debt Indebtedness</u>	<u>As of:</u>	<u>District's Share¹</u>	<u>Applicable Indebtedness</u>
County of Westchester	\$597,766,156	12/31/16	1.3%	\$777,096
Town of Rye	1,925,000	09/21/17	30.88	594,440
Village of Rye Brook	2,035,000	05//31/16	79.07	1,609,074
Total				<u>\$2,980,610</u>

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, 2017 is contained in the Appendix B). 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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assessed Valuation	\$1,948,633,813	\$1,910,128,309	\$2,011,252,369	\$2,172,992,897	\$2,190,441,713
New York State Equalization Rate	100%	100%	100%	100%	100%
Full Valuation	\$1,948,633,813	\$1,910,128,309	\$2,011,252,369	\$2,172,992,897	\$2,190,441,713
Total Tax Levy	\$31,604,344	\$32,706,511	\$34,705,367	\$34,937,523	\$35,757,692
Tax Rate Per \$1,000 A.V.					
Homestead	\$16.17	\$17.25	\$17.04	\$15.79	\$16.22
Non-Homestead	26.16	26.09	26.89	25.60	23.41
Uncollected Taxes End of Fiscal Year ²	None	None	None	None	None

¹See "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

Chapter 97 of the Laws of 2011, as amended (herein referred to as the “Tax Levy Limit Law” or “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 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 (such as the Notes), revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

Real Property Tax Rebate. Chapter 59 of the Laws of 2014 (“Chapter 59”) included provisions which provided a refundable personal income tax credit to real property taxpayers in school districts in 2014 and 2015 and certain municipal units of government in 2015 and 2016. The eligibility of real property taxpayers for the tax credit in each year depended on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a State approved “government efficiency plan” which demonstrated three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies.

Chapter 20 of the Laws of 2015 (“Chapter 20”) introduced a new real property tax rebate program that provides state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption in the years 2016-2019. For 2016, eligible taxpayers who resided outside New York City but within the Metropolitan Commuter Transportation District (“MCTD”) received \$130, and eligible taxpayers who resided outside the MCTD received \$185. Credits in 2017-2019 will vary based on a taxpayer’s personal income level and STAR tax savings. Similar to the Chapter 59 real property tax credit, under Chapter 20 the eligibility of real property taxpayers in each year depends on the school district’s compliance with the provisions of the Tax Levy Limitation Law. Unlike Chapter 59, however, for taxpayers other than those living in one of the “Big 4” cities only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the “Big 4” cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limitation Law. In either scenario, the relevant jurisdiction (independent school district or joint city/school district) must certify its compliance with the provisions of Chapter 97.

While the provisions of Chapter 59 did not, and the provisions of Chapter 20 do not, directly further restrict the taxing power of the affected municipalities, school districts and special districts, Chapter 59 did, and Chapter 20 does, provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law.

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$86,000 or less, increased annually according to a cost of living adjustment, are eligible for a “full value” exemption of the first \$65,300 for the 2016-17 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$500,000 are eligible for a \$30,000 “full value” exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

Part A of Chapter 60 of the Laws of 2016 of the State of New York (“Chapter 60”) gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The State 2017-18 Enacted Budget includes changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year’s amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year’s STAR credit check or taxpayers also may account for those changes in their State income taxes.

Approximately 6.55% of the District’s 2016-2017 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 5.59% of the District’s 2017-2018 school tax levy was exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January, 2018. (See “*State Aid*” herein).

Real Property Taxes

The District derives the major portion of its revenues from a tax on real property (See “*Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund*” in Appendix B, herein). Chapter 97 of the Laws of 2011, as amended, imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the District. (See “*The Tax Levy Limit Law*” herein). Property taxes accounted for 83.5% of total General Fund revenues for the fiscal year ended June 30, 2017, while State aid accounted for 7.1%.

The following table sets forth total general fund revenues and real property tax revenues during the last five fiscal years, and the amounts budgeted the upcoming fiscal year.

<u>Fiscal Year</u>	<u>Property Taxes</u>		Real Property Taxes to Revenues
	<u>Total Revenues⁽¹⁾</u>	<u>Real Property Taxes⁽¹⁾</u>	
2013	\$38,480,394	\$31,604,346	82.1%
2014	39,920,785	32,706,511	81.9
2015	40,886,314	33,417,566	81.7
2016	41,336,260	34,705,435	83.9
2017	41,823,643	34,936,024	83.5
2018 (Adopted Budget)	43,915,067	37,875,647	86.2

(1) General Fund.

Source: Audited Financial Statements and Adopted Budgets of the District. See also “*Budgetary Procedure*” herein. Summary itself is not audited.

State Aid

The District receives appropriations from the State of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. While the State has a constitutional duty to maintain and support a system of free common schools that provides a “sound basic education” to children of the State, 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 school districts can be paid only if the State has such monies available for such payment.

The following table sets forth total general fund revenues and State aid revenues during the last five fiscal years, and the amount budgeted upcoming fiscal year.

<u>State Aid</u>			
Fiscal Year <u>Ended June 30:</u>	Total <u>Revenues</u> ⁽¹⁾	Total <u>State Aid</u>	Percentage of Total Revenues <u>Consisting of State Aid</u>
2013	\$38,480,394	\$2,353,646	6.1%
2014	39,920,785	2,465,402	6.2
2015	40,886,314	2,615,983	6.4
2016	41,336,260	2,673,500	6.5
2017	41,823,643	2,945,551	7.0
2018 (Adopted Budget)	43,915,067	2,993,179	6.8

(1) General Fund.

Source: Audited Financial Statements and Adopted and Recommended Budgets of the District. Summary itself is not audited

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (See “STAR – *School Tax Exemption*” herein). The District has received timely STAR aid from the State for the current 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 therefore. 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 other circumstances including 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 therefore.

Potential reductions in Federal aid received by the State. The State receives a substantial amount of Federal aid for education. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, the State’s current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise.

Reductions in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other medicaid rules.

There can be no assurance that the State’s financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State. See also “*Recent Events Affecting New York School Districts.*”

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 mid-year 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.

Litigation regarding apportionment of State aid. In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity* (“CFE”) v. *State of New York* mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

Recent Events Affecting New York School Districts

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years.

School district fiscal year (2013-2014): The State Legislature adopted the State budget on March 29, 2013. The budget included 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 included an increase of \$1.1 billion in State aid for school districts.

School district fiscal year (2015-2016): The State Legislature adopted the State budget on March 31, 2015. The budget included an increase of \$1.4 billion in State aid for school districts that was tied to changes in the teacher evaluation and tenure process.

School district fiscal year (2016-2017): The State Legislature adopted the State budget on March 31, 2016. The budget included an increase of \$991 million in State aid for school districts over the 2015-16 budget, \$863 million of which consisted of traditional operating aid. In addition to the \$408 million of expense based aid, the State’s Adopted Budget included a \$266 million increase in Foundation Aid and a \$189 million restoration to the Gap Elimination Adjustment. The majority of the remaining increase related to (\$100 million) Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

School district fiscal year (2017-2018): The State’s 2017-2018 Enacted Budget provides for school aid of approximately \$25.8 billion, an increase of \$1.1 billion in school aid spending from the 2016-2017 school year. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State’s usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State’s 2017-18 Enacted Budget continues to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. In addition, the State’s Enacted 2017-2018 Budget allows the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected. If federal support is reduced by \$850 million or more, the New York State Director of the Budget will develop a plan to make uniform spending reductions by the State. Such plan would take effect automatically unless the State Legislature passes its own plan within 90 days.

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).

Gap Elimination Aid: The State provides annual State aid to school districts in the State, including the District, on the basis of various formulas. Due to the State’s own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment (“GEA”). The GEA was a negative number (funds that were deducted from the State aid originally due to the District under existing State aid formulas). The District’s State aid was reduced as a result of the GEA program starting in 2009. Subsequent State budgets decreased the amount of the GEA deduction and the State’s 2016-2017 Enacted Budget eliminated the remaining balance of the GEA.

The Smart Schools Bond Act (the “SSBA”) was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds by the State, to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The SSBA requires that a Review Board review and approve districts’ Smart Schools Investment Plan before any funds may be made available for the program.

Other Revenues

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

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 17, 2016, a majority of the voters of the District approved the District's budget for the 2016-17 fiscal year. A summary of the District's adopted budget for the 2016-2017 fiscal year may also be found in Appendix B herein. On May 16, 2017, a majority of the voters of the District approved the District's budget for the 2017-2018 fiscal year. A summary of the District's adopted budget for the 2016-2017 and 2017-2018 fiscal years may be found in Appendix B 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.

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>
151	Blind Brook - Rye Federation of Teachers	June 30, 2021
101	Blind Brook - Rye Employees Local 4060	June 30, 2018
11	Association of Blind Brook - Rye Administrators	June 30, 2018

EMPLOYEE PENSION BENEFITS

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System ("TRS"). Employer pension 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 31, 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 employee 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 6 for employees hired after April 1, 2012. The new pension tier has progressive employee contribution rates between 3% and 6% and such employee contributions continue so long as the employee continues to accumulate pension credits; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier 6, 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.

Under current law, the employer pension payments for a given fiscal year are based on the value of the pension fund on the prior April 1 thus enabling the District to more accurately include the cost of the employer pension payment in its budget for the ensuing year. In addition, the District is required 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 payment possible. The annual employer pension payment is due on February 1 of each year.

Due to poor performance of the investment portfolio of TRS and ERS during the recent financial crisis, the employer contribution rates for required pension payments to the TRS and ERS increased substantially. To help mitigate the impact of such increases, legislation was enacted that permitted school districts to amortize a portion of its annual employer pension payment to the ERS only. Under such legislation, school districts that choose to amortize were required to set aside and reserve funds with the ERS for certain future rate increases. The District has not amortized any of its employer pension payments pursuant to this legislation and expects to continue to pay all payments in full when due.

In addition, 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 ERS SCO. 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.

The TRS SCO deferral plan is available to school districts for up to 7 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 21 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 District has not amortized any of its employer pension payments as part of the SCO and expects to continue to pay all payments in full when due.

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 \$3,363,125 and an unfunded actuarial accrued liability of \$39,538,971 as of July 1, 2016.

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.

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 ("OSC") 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 most current applicable report of the State Comptroller designates the District as “No Designation.”

See the State Comptroller’s official website for more information on FSMS. Reference to this website implies no warranty of accuracy of information therein.

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

End of Appendix A

APPENDIX B
FINANCIAL STATEMENT SUMMARIES

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

APPENDIX B

Year Ended June 30:	2013	2014	2015	2016	2017
REVENUES					
Real Property Taxes	\$31,604,346	\$32,706,511	\$33,417,566	\$34,705,435	\$34,936,024
Other Tax Items	3,443,319	3,434,944	3,332,316	2,593,255	2,450,634
Non Property Taxes	308,655	336,806	330,291	336,179	340,834
Charges for Services	373,733	626,347	659,334	699,511	744,197
Use of Money and Property	267,663	240,949	234,745	140,747	198,926
Sale of Property and Compensation for Loss	4,070	240	4,984	2,380	16,671
State Sources	2,353,646	2,465,402	2,615,983	2,673,500	2,945,551
Federal Sources	2,881	0	0	0	0
Miscellaneous	122,081	109,586	291,095	185,253	190,806
Total Revenues	38,480,394	39,920,785	40,886,314	41,336,260	41,823,643
EXPENDITURES					
General Support	3,740,217	3,799,283	3,600,282	3,392,053	3,444,678
Instruction	22,636,896	23,272,452	23,867,503	24,768,186	25,546,549
Pupil Transportation	1,107,744	1,126,475	1,192,807	1,100,586	1,224,651
Community Services	0	0	0	0	0
Employee Benefits	8,315,657	9,479,391	9,738,950	9,259,591	9,326,756
Debt Service	2,542,937	2,470,550	2,378,004	2,344,040	2,454,806
Total Expenditures	38,343,451	40,148,151	40,777,546	40,864,456	41,997,440
Excess (Deficiency) of Revenues Over Expenditures	136,943	(227,366)	108,768	471,804	(173,797)
Other Financing Sources (Uses):					
Operating Transfers In	100,000	100,000	0	0	0
Operating Transfers Out	(31,142)	(30,262)	(32,288)	(132,429)	(34,904)
Total Other Financing Sources	68,858	69,738	(32,288)	(132,429)	(34,904)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	205,801	(157,628)	76,480	339,375	-208,701
Fund Balances (Deficits) - Beginning of Year	4,433,064	4,638,865	4,481,237	4,557,717	4,897,092
Accounting Change Adjustment	0	0	0	0	0
Fund Balances - End of Year	\$4,638,865	\$4,481,237	\$4,557,717	\$4,897,092	\$4,688,391

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 B-1

	2016-2017 Adopted Budget (1)	2017-2018 Adopted Budget (2)
<u>REVENUES</u>		
Real Property Taxes	\$37,386,170	\$37,875,647
Other Property Tax Items	335,000	325,000
State Aid	2,956,533	2,993,179
Other Sources	999,000	1,152,400
Interfun Transfers	50,000	100,000
Appropriated Fund Balance	1,500,000	1,468,841
Total Revenues	<u>\$43,226,703</u>	<u>\$43,915,067</u>
<u>EXPENDITURES</u>		
General Support	\$3,819,485	\$3,621,397
Instruction	26,023,555	26,760,284
Pupil Transportation	1,247,845	1,333,102
Community Services	1,000	1,000
Employee Benefits	9,643,311	9,750,520
Transfers	36,700	39,832
Debt Service	2,454,807	2,408,932
Total Expenditures	<u>\$43,226,703</u>	<u>\$43,915,067</u>

(1) The budget for the 2016-2017 fiscal year was approved by voters of the District on May 17, 2016.

(2) The budget for the 2017-2018 fiscal year was approved by voters of the District on May 16, 2017.

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

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

APPENDIX B-2

As of June 30:	<u>2016</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and Equivalents	\$ 7,025,973	\$ 6,512,307
Receivables:		
Accounts	28,682	11,800
State and Federal Aid	210,311	262,656
Due from Other Governments	84,010	85,618
Due from Other Funds	546,643	494,896
Prepaid Expenditures	<u>334,441</u>	<u>398,661</u>
TOTAL ASSETS	<u><u>\$8,230,060</u></u>	<u><u>\$7,765,938</u></u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 223,985	\$ 299,539
Accrued Liabilities	143,525	73,422
Due to Other Funds	0	17,162
Due to Other Governments	76,325	58,828
Due to Retirement Systems	<u>2,889,133</u>	<u>2,628,596</u>
TOTAL LIABILITIES	<u>3,332,968</u>	<u>3,077,547</u>
<u>FUND BALANCES</u>		
Nonspendable	334,441	398,661
Restricted	1,191,556	1,089,545
Assigned	1,642,027	1,646,141
Unassigned	<u>1,729,068</u>	<u>1,554,044</u>
TOTAL FUND BALANCES	<u>4,897,092</u>	<u>4,688,391</u>
TOTAL LIABILITIES & FUND BALANCES	<u><u>\$8,230,060</u></u>	<u><u>\$7,765,938</u></u>

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