

BLIND BROOK-RYE UNION FREE SCHOOL DISTRICT

Westchester County, New York

(the “School District”)

**2015 FINANCIAL INFORMATION
FOR
CONTINUING DISCLOSURE REQUIREMENT**

**As of June 30, 2015
(Unless otherwise noted)**

Capital Markets Advisors, LLC (“CMA”) 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 CMA 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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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>2015 Assessed Valuation</u>
Reckson Operating Partners*	Commercial Offices	\$85,366,300
KSB Arrowwood*	Hotel and Conference Center	81,628,700
Westchester County Airport	Airport	41,395,580
Stone Gate at Belle Fair LLC	Assisted Living Facility	27,000,000
Rye King Associates, LLC*	Commercial Offices	19,439,400
Con Edison	Public Utility	15,074,129
Iroquois Gas Trans System	Gas Company	10,814,600
Blind Brook Club, Inc.*	County Club	9,979,200
Toll Land V Limited Partnership	Home Development	8,741,900
United Water	Water company	8,285,154

* 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Westchester County	7.4%	7.1%	7.3%	6.3%	5.1%
New York State	8.6%	8.2%	8.5%	7.7%	6.3%

	<u>2015 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	5.3%	5.2%	4.7%	4.4%	4.6%	4.6%	5.0%	4.5%
New York State	6.5%	6.4%	5.8%	5.5%	5.3%	5.2%	5.4%	5.0%

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>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>Projected 2016-17</u>	<u>Projected 2017-18</u>
K-6	1,500	1,484	1,508	1,531	1,507	1,479	1,467

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, 2015.

Full valuation of taxable real property	\$2,022,902,249
Debt limit (10% of full valuation)	202,290,224
Outstanding Indebtedness ¹ (Principal Only):	
Bonds	\$15,020,000
Less Exclusion for Estimated Building Aid ²	<u>0</u>
Total Net Indebtedness	<u>\$15,020,000</u>
Net Debt Contracting Margin	<u>\$187,270,224</u>
Percentage of Debt Contracting Power Exhausted	7.5%

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, 2015.

	<u>Amount¹</u>	<u>Per Capita²</u>	<u>Percentage of Full Value³</u>
Gross Indebtedness (see “ <i>Computation of Debt Limit</i> ”)	\$15,020,000	\$2,349	0.8%
Gross Indebtedness plus Net Overlapping Indebtedness (see “ <i>Estimated Overlapping Indebtedness</i> ” herein)	\$37,017,018	\$5,790	1.9%

¹ Includes the total of the Bonds and Refunded Bonds.

² The current estimated population of the District is 6,393.

³ The District's full value of taxable real estate for 2014-2015 is \$2,022,902,249.

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

Fiscal Year Ending June 30th	Principal	Interest	Total Principal and Interest
2016	\$53,154	\$69,486	\$122,640
2017	177,999	67,282	245,281
2018	182,050	63,232	245,282
2019	186,193	59,089	245,282
2020	190,430	54,852	245,282
2021-2025	1,019,156	207,250	1,226,406
2026-2030	1,140,517	85,890	1,226,407
2031	121,268	1,372	122,640
Totals	\$3,070,767	\$608,453	\$3,679,220

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
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
Totals	\$15,020,000	\$3,684,799	\$18,704,799

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>
2011	\$23,155,000
2012	21,505,000
2013	19,895,000
2014	18,265,000
2015	15,020,000

Details of Outstanding Indebtedness

The following table sets forth the District's indebtedness, inclusive of the totals of the Bonds, as of June 30, 2015.

Bonds	2016-2026	<u>Amount</u> <u>\$15,020,000</u>
Total Debt Outstanding		<u>\$15,020,000</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 Share¹</u>	<u>Applicable Indebtedness</u>
County of Westchester	\$1,432,623,369	1.28%	\$18,337,579
Town of Rye	0		0
Village of Rye Brook	4,655,775	78.6%	<u>3,659,439</u>
Total			<u>\$21,997,018</u>

Source: New York State Comptroller's Special Report on Municipal Affairs for local fiscal year ending in 2013.

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, 2015 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Assessed Valuation	\$2,218,904,827	\$2,025,591,931	\$1,948,633,813	\$1,910,128,309	\$2,011,252,369
New York State Equalization Rate	100%	100%	100%	100%	100%
Full Valuation	\$2,218,904,827	\$2,025,591,931	\$1,948,633,813	\$1,910,128,309	\$2,011,252,369
Total Tax Levy	\$30,708,351	\$31,165,453	\$31,604,344	\$32,706,511	\$34,705,367
Tax Rate Per \$1,000 A.V.					
Homestead	\$14.07	\$15.41	\$16.17	\$17.25	\$17.04
Non-Homestead	21.10	24.30	26.16	26.09	26.89
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

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 was amended in June 2015 by Chapter 20 of the Laws of 2015, which extended the expiration date of the law to 2020. 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, 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"), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Eligible homeowners do not need to do anything to receive the credit. The Tax Department will review eligibility data and calculate the credit for all qualifying taxing jurisdictions. In the Fall of each of the program's three years (2014, 2015, 2016), the department will mail eligible taxpayers a single check that will be the total of the credits for each jurisdiction that is in compliance.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved “government efficiency plan” which demonstrates “three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies”.

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Law. The implications of this for future tax levies and for operations and services of the District are uncertain at this time.

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 6.95% of the District’s 2015-2016 school tax levy is expected to be exempted by the STAR program. The District expects to receive full STAR reimbursement during the 2015-2016 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 2015-2016 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 2015-2016 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 2015-2016 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.

School district fiscal year (2015-2016): The State Legislature adopted the State budget on March 31, 2015. The budget includes an increase of \$1.4 billion in State aid for school districts, that is tied to changes in the teacher evaluation and tenure process. School districts must obtain approval of their revised teacher evaluation plans by November 15, 2015 in order to receive their allotted increase in State 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 is a negative number (funds that are deducted from the State aid originally due to the District under existing State aid formulas). The District's State aid has been reduced as a result of the GEA program since 2009. State budgets have decreased the amount of the GEA deduction and the Adopted Budget for the State's 2015-2016 fiscal year also includes a further reduction of the GEA.

The Smart Schools Bond Act 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 to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State.

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 19, 2015, a majority of the voters of the District approved the District's budget for the 2015-2016 fiscal year. A summary of the District's Adopted Budget for the fiscal year 2015-2016 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.

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>
162	Blind Brook - Rye Federation of Teachers	June 30, 2016
91	Blind Brook - Rye Employees Local 4060	June 30, 2018
9	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 \$2,941,020 and an unfunded actuarial accrued liability of \$34,550,546 as of July 1, 2014.

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.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from Capital Markets Advisors, LLC (CMA) 516-364-6363 or from the District's Interim Superintendent of Schools, 914-937-3600 x3022.

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

APPENDIX A

Year Ended June 30:	2011	2012	2013	2014	2015
REVENUES					
Real Property Taxes	\$30,708,275	\$31,165,456	\$31,604,346	\$32,706,511	\$33,417,566
Other Tax Items	3,533,547	3,399,016	3,443,319	3,434,944	3,332,316
Non Property Taxes	284,870	304,365	308,655	336,806	330,291
Charges for Services	398,402	308,305	373,733	626,347	659,334
Use of Money and Property	240,043	275,649	267,663	240,949	234,745
Sale of Property and Compensation for Loss	28,847	9,223	4,070	240	4,984
State Sources	2,248,391	2,267,059	2,353,646	2,465,402	2,615,983
Federal Sources	128,707	0	2,881	0	0
Miscellaneous	273,688	182,339	122,081	109,586	291,095
Total Revenues	37,844,770	37,911,412	38,480,394	39,920,785	40,886,314
EXPENDITURES					
General Support	4,138,238	4,567,937	3,740,217	3,799,283	3,600,282
Instruction	22,343,552	22,487,691	22,636,896	23,272,452	23,867,503
Pupil Transportation	1,129,554	1,113,550	1,107,744	1,126,475	1,192,807
Community Services	0	0	0	0	0
Employee Benefits	6,866,108	8,034,167	8,315,657	9,479,391	9,738,950
Debt Service	2,810,618	2,630,079	2,542,937	2,470,550	2,378,004
Total Expenditures	37,288,070	38,833,424	38,343,451	40,148,151	40,777,546
Excess (Deficiency) of Revenues Over Expenditures	556,700	-922,012	136,943	-227,366	108,768
Other Financing Sources (Uses):					
Operating Transfers In	5,370	100,000	100,000	100,000	0
Operating Transfers Out	-28,435	-33,279	-31,142	-30,262	-32,288
Total Other Financing Sources	-23,065	66,721	68,858	69,738	-32,288
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	533,635	-855,291	205,801	-157,628	76,480
Fund Balances (Deficits) - Beginning of Year	4,754,720	5,288,355	4,433,064	4,638,865	4,481,237
Accounting Change Adjustment	0	0	0	0	0
Fund Balances - End of Year	\$5,288,355	\$4,433,064	\$4,638,865	\$4,481,237	\$4,557,717

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

	2014-2015 Adopted Budget (1)	2015-2016 Adopted Budget (2)
<u>REVENUES</u>		
Real Property Taxes	\$35,788,724	\$37,298,609
Other Property Tax Items	1,271,615	335,000
State Aid	2,588,046	2,779,537
Other Sources	919,408	857,750
Interfun Transfers	100,000	0
Appropriated Fund Balance	1,600,000	1,365,000
Total Revenues	<u>\$42,267,793</u>	<u>\$42,635,896</u>
<u>EXPENDITURES</u>		
General Support	\$3,982,175	\$4,016,902
Instruction	24,158,443	25,183,094
Pupil Transportation	1,344,117	1,222,165
Community Services	1,000	1,000
Employee Benefits	10,321,564	9,734,886
Transfers	34,337	133,808
Debt Service	2,426,157	2,344,042
Total Expenditures	<u>\$42,267,793</u>	<u>\$42,635,897</u>

- (1) The budget for the 2014-2015 fiscal year was approved by voters of the District on May 20, 2014.
 (2) The budget for the 2015-2016 fiscal year was approved by voters of the District on May 19, 2015.

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>2014</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and Equivalents	\$ 7,596,673	\$ 7,636,544
Receivables:		
State and Federal Aid	186,725	202,714
Due from Other Governments	85,619	83,567
Due from Other Funds	244,898	291,110
Prepaid Expenditures	<u>325,479</u>	<u>342,380</u>
TOTAL ASSETS	<u><u>\$8,439,394</u></u>	<u><u>\$8,556,315</u></u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 297,664	\$ 294,880
Accrued Liabilities	234,221	64,723
Due to Other Funds	12,896	20,054
Due to Other Governments	0	7,448
Due to Retirement Systems	<u>3,413,376</u>	<u>3,611,493</u>
TOTAL LIABILITIES	<u><u>3,958,157</u></u>	<u><u>3,998,598</u></u>
<u>FUND BALANCES</u>		
Nonspendable	325,479	342,380
Restricted	853,535	1,099,761
Assigned	1,713,260	1,410,140
Unassigned	<u>1,588,963</u>	<u>1,705,436</u>
TOTAL FUND BALANCES	<u><u>4,481,237</u></u>	<u><u>4,557,717</u></u>
TOTAL LIABILITIES & FUND BALANCES	<u><u>\$8,439,394</u></u>	<u><u>\$8,556,315</u></u>

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