

OFFICIAL STATEMENT

NEW ISSUE

TAX ANTICIPATION NOTES

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.*

*The Notes will NOT be designated "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.*

**\$11,000,000**

**CITY SCHOOL DISTRICT OF THE CITY OF BINGHAMTON  
BROOME COUNTY, NEW YORK**



**GENERAL OBLIGATIONS**

**\$11,000,000 Tax Anticipation Notes, 2015**  
(the "Notes")

**At an Interest Rate of 1.00% - To Yield 0.45%**  
**CUSIP #: 090473 MK2**

**Jefferies**

**Dated: June 30, 2015**

**Due: January 28, 2016**

The Notes are general obligations of the City School District of the City of Binghamton, Broome County, New York, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limitations. See "THE NOTES - Nature of Obligation" and "TAX INFORMATION - Tax Levy Limitation Law" herein.

The Notes are to be issued without the option of prior redemption.

The Notes will be issued as registered notes and will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and received by the purchaser and subject to the receipt of the approving legal opinion as to the validity of the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, New York City, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey or as may be agreed upon, on or about June 30, 2015.

June 16, 2015

THIS REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE SCHOOL DISTRICT DATED JUNE 4, 2015 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12. OTHER THAN AS SET FORTH ON THE REVISED COVER AND THE REVISION OF THE DATED DATE ON PAGE 34, THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

**CITY SCHOOL DISTRICT OF THE CITY OF BINGHAMTON  
BROOME COUNTY, NEW YORK**

**SCHOOL DISTRICT OFFICIALS**

**2014-2015 BOARD OF EDUCATION**

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President



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Vice President

CHRISTINA ARCHIE-BROWN  
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\* \* \* \* \*

**ADMINISTRATION**

DR. MARION H. MARTINEZ  
Superintendent for Schools

KARRY MULLINS  
Assistant Superintendent for Administration

DR. TONIA THOMPSON  
Assistant to the Superintendent for Instruction

KATHRYN BLACKMAN  
Controller, Central Business Office

VINCE SMITH  
School District Treasurer

SANYA BROWN  
School District Clerk

COUGHLIN & GERHART LLP  
School District Attorneys

ORRICK, HERRINGTON & SUTCLIFFE LLP  
Bond Counsel



FISCAL ADVISORS & MARKETING, INC.  
Municipal Advisor

No person has been authorized by City School District of the City of Binghamton to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of City School District of the City of Binghamton.

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
<b>THE NOTES</b> .....	4	<b>SPECIAL PROVISIONS AFFECTING</b>	
Description of the Notes.....	4	<b>REMEDIES UPON DEFAULT</b> .....	28
Purpose of Issue .....	4	<b>MARKET AND RISK FACTORS</b> .....	30
Nature of Obligation.....	5	<b>MATERIAL EVENT NOTICES</b> .....	30
<b>BOOK-ENTRY-ONLY SYSTEM</b> .....	6	Historical Disclosure Compliance.....	31
Certificated Notes.....	8	<b>TAX MATTERS</b> .....	32
<b>THE SCHOOL DISTRICT</b> .....	8	<b>LEGAL MATTERS</b> .....	32
General Information .....	8	<b>LITIGATION</b> .....	33
2011 Flood Damage .....	8	Tax Certiorari Claims .....	33
Population .....	8	<b>RATING</b> .....	33
Population Trends .....	9	<b>FINANCIAL ADVISOR</b> .....	33
Unemployment Rate Statistics .....	9	<b>MISCELLANEOUS</b> .....	34
Selected Wealth and Income Indicators .....	9	<b>APPENDIX - A</b>	
Larger Employers.....	10	<b>GENERAL FUND - Balance Sheets</b>	
Form of School Government.....	10	<b>APPENDIX - A1</b>	
Budgetary Procedures and Recent Budget Votes .....	10	<b>GENERAL FUND – Revenues, Expenditures and</b>	
Investment Policy.....	11	<b>Changes in Fund Balance</b>	
State Aid.....	11	<b>APPENDIX - A2</b>	
State Aid Revenues .....	13	<b>GENERAL FUND – Revenues, Expenditures and</b>	
School Facilities .....	14	<b>Changes in Fund Balance - Budget and Actual</b>	
Enrollment Trends.....	14	<b>APPENDIX – A3</b>	
Employees.....	14	<b>GENERAL FUND – Revenues, Expenditures and</b>	
Status and Financing of Employee Pension Benefits .....	15	<b>Changes in Fund Balance - Budget</b>	
Other Post-Employment Benefits .....	16	<b>APPENDIX – B</b>	
Other Information.....	17	<b>BONDED DEBT SERVICE</b>	
Financial Statements .....	17	<b>APPENDIX – B1</b>	
NYS Comptroller Reports of Examination.....	18	<b>CURRENT BONDS OUTSTANDING</b>	
Fiscal Stress Monitoring System.....	19	<b>APPENDIX – C</b>	
<b>TAX INFORMATION</b> .....	19	<b>COMPUTATIONS OF FULL VALUATION</b>	
Valuations .....	19	<b>APPENDIX – D</b>	
Tax Rates Per \$1,000 (assessed) .....	19	<b>2015-2016 ESTIMATED MONTHLY CASH FLOW</b>	
Tax Collection Procedure.....	20	<b>APPENDIX – E</b>	
Tax Levy and Collection Record.....	20	<b>AUDITED FINANCIAL STATEMENTS AND</b>	
Real Property Tax Revenues .....	20	<b>SUPPLEMENTARY INFORMATION- JUNE 30, 2014</b>	
Larger Taxpayers- 2014-15 Tax Roll .....	21	<b>APPENDIX - F</b>	
STAR – School Tax Exemption .....	21	<b>FORM OF BOND COUNSEL’S OPINION</b>	
Additional Tax Information.....	21		
Tax Levy Limitation Law.....	22		
<b>STATUS OF INDEBTEDNESS</b> .....	23		
Constitutional Requirements .....	23		
Statutory Procedure .....	24		
Debt Outstanding End of Fiscal Year.....	25		
Details of Outstanding Indebtedness .....	25		
Debt Statement Summary.....	26		
Bonded Debt Service.....	26		
Capital Project Plans .....	26		
Cash Flow Borrowings.....	27		
Federal Sequestration .....	27		
Estimated Overlapping Indebtedness .....	28		
Debt Ratios.....	28		

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**OFFICIAL STATEMENT**  
**of the**  
**CITY SCHOOL DISTRICT OF THE CITY OF BINGHAMTON**  
**BROOME COUNTY, NEW YORK**  
**Relating To**  
**\$11,000,000 Tax Anticipation Notes, 2015**

This Official Statement, which includes the cover page, has been prepared by the City School District of the City of Binghamton, Broome County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the School District of \$11,000,000 principal amount of Tax Anticipation Notes, 2015 (the "Notes").

The factors affecting the School District's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the School District tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the School District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the School District relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

**THE NOTES**

**Description of the Notes**

The Notes are general obligations of the School District, and will contain a pledge of its faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2: Local Finance Law, Section 100.00). All the taxable real property within the School District, is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limitations. See "NATURE OF OBLIGATION" and "TAX INFORMATION - Tax Levy Limitation Law" herein.

The Notes are dated June 30, 2015 and mature, without option of prior redemption, on January 28, 2016. The Notes will be issued in either (i) bearer form, in denominations of \$5,000 each or multiples thereof, as may be determined by the successful bidder(s) with principal and interest payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State as may be selected by such successful bidder(s); or (ii) at the option of the purchaser(s), as registered notes, and, if so issued, registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "Book-Entry-Only System" herein.

**Purpose of Issue**

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and Section 24.00 of the Local Finance Law, in anticipation of the collection of real property taxes levied or to be levied for School District purposes for the fiscal year of the School District commencing July 1, 2015.

Section 24.00 of the Local Finance Law authorizes the School District to issue tax anticipation notes ten days prior to the commencement of a fiscal year in anticipation of the collection of taxes levied or to be levied for such fiscal year. Such notes may not be issued in an amount in excess of the amount of taxes levied or to be levied which is uncollected at the time of the issuance of the notes, less the amount of previously issued notes issued in anticipation of such taxes. The proceeds of the Notes may be used only for purposes for which the taxes in anticipation of which the Notes are to be issued were levied or are to be levied.

Whenever the principal amount of the Notes equals the amount of taxes remaining uncollected for the fiscal year for which the taxes were or are to be levied, all such uncollected taxes, as thereafter collected, must be set aside in a special bank account to be used only for the payment of the Notes, unless other provision is made by budgetary appropriation for the redemption of the Notes.

The Notes are being issued to provide moneys to meet a cash flow deficit expected to occur during the period the Notes are outstanding (See "APPENDIX – D, 2015-2016 ESTIMATED MONTHLY CASH FLOW"). Such cash flow deficit will result from the fact that the dates fixed by law for the collection of real property taxes do not conform to the expected cash needs of the School District's operating budget.

## **Nature of Obligation**

Each of the Notes when duly issued and paid for will constitute a contract between the School District and the holder thereof.

Holders of any series of notes or bonds of the School District may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Notes will be general obligations of the School District and will contain a pledge of the faith and credit of the School District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the School District has power and statutory authorization to levy ad valorem taxes on all real property within the School District subject to such taxation by the School District, subject to applicable statutory limitations.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the School District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the School District's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX INFORMATION - Tax Levy Limitation Law" herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

"A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean. So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted. While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term "faith and credit" in its context is "not qualified in any way". Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, "with respect to traditional real estate tax levies, the bondholders are

constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

### **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes, if so requested. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each issue of notes bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the School District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The School District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but School District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

## **Certificated Notes**

If the book-entry form is initially chosen by the purchaser(s) of the Notes, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is utilized by a purchaser(s) of the Notes upon issuance and later discontinued, or is originally issued in bearer certificated form, the following provisions will apply:

The Notes will be issued in bearer form in denominations of \$5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State of New York to be named as fiscal agent by the School District should the book-entry-only system be discontinued or by the purchaser(s) if chosen initially to be issued in bearer certificated form. The Notes will remain not subject to redemption prior to their stated final maturity date.

## **THE SCHOOL DISTRICT**

### **General Information**

The School District, with a land area of approximately 12 square miles, includes all of the City of Binghamton (the "City") and a small portion of the Town of Dickinson (the "Town").

Major highways within and in close proximity to the School District include U. S. Route 11, Interstate #81 which extends north to Canada and south to Tennessee, Interstate #88 which runs northeast to Albany, Route #17 (The Southern Tier Expressway) which runs east-west and connects with Interstate #87 north of New York City and Interstate #90 near Erie, Pennsylvania, and State Routes #7, #12 and #26. Bus service is provided to and from the School District by Capital Trailways, Greyhound Bus Lines and Short Lines. The County transit system provides local daily bus service.

Air transportation through the Binghamton Regional Airport is provided by various national, commuter and regional airlines, which include US Airways, Colgan, Mall, Allegany-Commuter, Altair, Air Vector and Air North Airlines. Emery Air Freight and Federal Express also operate from the Airport. The School District is also served by the Tri-Cities Airport, located in nearby Endicott. Railroads providing freight service to the area include Conrail, the Delaware and Hudson Railroad and the Delaware and Otsego Railroad.

Banking services are provided to the inhabitants of the School District by offices of Partners Trust Bank, JPMorgan Chase Bank, N.A., Bank of America, KeyBank, N.A., Manufacturers & Traders Trust Company, HSBC Bank USA and NBT Bank, N.A.

Electric utility and natural gas services are provided by the New York State Electric and Gas Corporation (NYSEG). Police protection is afforded the residents by the City, County and State agencies. Fire protection is provided by the City's full-time fire department. Water and sewer facilities and refuse collection are provided by the City, except in the Town of Dickinson, which has its own facilities and operations. Waste disposal is provided by the County through the County's sanitary landfill operations.

### **2011 Flood Damage**

In September, 2011, flooding from Tropical Storm Lee destroyed the District's MacArthur Elementary Building. The building was closed, and students were relocated to other buildings in and around the District. At the end of March 2012, the Federal Emergency Management Agency (FEMA) completed its review of flood-related project in the Binghamton City School District and recommended replacing the MacArthur Elementary Building. FEMA is expected to pay for approximately 75 percent of the replacement cost, and insurance recovery, State Aid, and local share is expected to fund the rest of the expected cost.

The Local Share is estimated to be no more than \$5,000,000 as State Aid FEMA and insurance is expected to cover approximately \$74,500,000 of the \$79,530,000 total. After applying the aid ratio of 92.4%, the actual local share is expected to be approximately \$380,000 over thirty years.

See "Capital Project Plans" herein for additional details.

### **Population**

The estimated population of the School District is estimated to be 46,652. (Source: 2013 U.S. Census Bureau estimate).



## Population Trends

The following entities and their population trends help to contribute to the School District's current estimated population:

	<u>City of Binghamton</u>	<u>Broome County</u>	<u>New York State</u>
1970	64,123	221,815	18,236,882
1980	55,860	213,648	17,558,072
1990	53,008	212,160	17,990,455
2000	47,380	200,536	18,976,457
2010	47,376	200,600	19,378,102
2013 (estimate)	46,444	197,534	19,651,127

Source: U.S. Census Bureau, 2013 Population Estimates, 1970- 2010 Census.

## Unemployment Rate Statistics

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

	<u>Annual Average</u>							
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Broome County	4.4%	5.6%	8.2%	8.7%	8.6%	8.7%	7.8%	6.6%
New York State	4.6%	5.4%	8.3%	8.6%	8.3%	8.5%	7.7%	6.3%

	<u>Monthly Figures</u>											
	<u>2014</u>						<u>2015</u>					
	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>
Broome County	6.4%	6.6%	6.3%	6.1%	5.7%	5.9%	6.1%	7.3%	6.9%	6.3%	6.0%	N/A
New York State	6.2%	6.5%	6.1%	5.8%	5.7%	5.7%	5.6%	6.5%	6.4%	5.8%	5.5%	N/A

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

## Selected Wealth and Income Indicators

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which includes the District, are the City of Binghamton, the Town of Dickinson and the County of Broome. The figures set below with respect to such City, Town and County are included for information only. It should not be inferred from the inclusion of such data in the Official Statement that the City, Town or the County are necessarily representative of the District, or vice versa.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2009-2013</u>	<u>2000</u>	<u>2006-2010</u>	<u>2009-2013</u>
City of:						
Binghamton	\$ 12,106	\$ 17,067	\$ 20,576	\$ 29,169	\$ 36,137	\$ 43,436
Town of:						
Dickinson	14,065	19,246	23,600	36,803	49,583	74,167
County of:						
Broome	13,626	19,168	24,835	35,824	45,422	59,345
State of:						
New York	16,501	23,389	32,382	39,741	51,691	70,670

Note: 2010-2014 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2009-2013 American Community Survey data.

## Larger Employers

Many residents of the District find employment with one of the following major employers located within Broome County.

Some of the major employers located within the Binghamton, NY Metropolitan Statistical Area (MSA):

<u>Company</u>	<u>Location</u>	<u>Employees</u>	<u>Type</u>
United Health Services	Binghamton	5,508	Healthcare
Binghamton University	Vestal	5,493	Education
Lockheed Martin	Owego	2,700	Systems Integration
Lourdes Hospital	Binghamton	2,361	Healthcare
New York State	Binghamton	2,034	Government
Broome County Government	Binghamton	1,913	Government
Raymond Corp.	Greene	1,500	Electric Products
Broome Developmental Center	Binghamton	1,400	Human Services
Amphenol Aerospace	Sidney	1,400	Electronic Devices
BAE Systems	Endicott	1,350	Mission Systems
Chobani	Norwich	1,300	Food Products
Maines Paper & Food Service	Conklin	1,100	Food Distribution
Broome-Tioga BOCES	Binghamton	1,049	Education
NBT Bank	Binghamton	1,039	Financial Institution
IBM Corp.	Endicott	1,000	Technology
Weis Markets	Binghamton	1,000	Food Products
MeadWestvaco	Sidney	900	Office Products
Felchar Manufacturing Corp.	Binghamton	800	Electronics
NYSEG	Binghamton	800	Electricity & Natural Gas
Nationwide Credit Inc.	Vestal	700	Asset Recovery
United Methodist Homes	Binghamton	621	Senior Living
Matrix Integrated Facility Management	Johnson City	600	Facility Management
Frito-Lay	Kirkwood	540	Food Distribution
Time Warner	Vestal	500	Communications
I3 Electronics	Endicott	465	Electronics
Wegmans	Johnson City	454	Food Products

Source: Broome County Industrial Development Agency - Larger Employers 2014. ([www.bcida.com](http://www.bcida.com))

## Form of School Government

The Board of Education, which is the policy-making body of the School District, consists of seven members with overlapping five-year terms. The President and the Vice President are selected by the Board members. The President of the Board is the chief fiscal officer of the School District.

The duties of the administrative officers of the School District are to implement the policies of the Board of Education and supervise the operation of the school system.

## Budgetary Procedures and Recent Budget Votes

Pursuant to the Education Law, the Board of Education annually prepares a detailed statement of estimated sums necessary for the various expenditures of the School District for the ensuing fiscal year (tentative budget) and distributes that statement not less than seven days prior to the date on which the annual school election is conducted, at which the tentative budget is voted upon. Notice of the annual election is published as required by statute with a first publication not less than forty-five days prior to the day of election.

Pursuant to Chapter 97 of the Laws of 2011 ("Chapter 97"), beginning with the 2012 – 2013 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% or the rate of inflation (the "Tax Cap"), then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the Tax Cap also must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the 3rd Tuesday in June, or adopt a contingency budget (which would provide for ordinary contingent expenses, including debt service) that levies a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy).

If the resubmitted and/or revised budget is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy). For a complete discussion of Chapter 97, see "TAX INFORMATION – Tax Levy Limitation Law" herein.

The budget for the 2012-13 fiscal year was approved by the qualified voters on May 15, 2012. With a total tax levy increase of 2.5%, the tax levy increase was below the District's tax cap of 3.24% as calculated using the eight-step formula prescribed by the State.

The budget for the 2013-14 fiscal year was approved by the qualified voters on May 21, 2013. With a total tax levy increase of 1.89%, the tax levy increase equaled the District's tax cap of 1.89% as calculated using the eight-step formula prescribed by the State.

The budget for the 2014-2015 fiscal year was approved by the qualified voters on May 20, 2014. The budget included expenditures totaling \$108,433,784 and revenues totaling \$105,094,784, or a 6.1% year-to-year increase. The budget maintained current levels of programming and calls for no layoffs; however, five staff positions were eliminated through attrition for a savings of \$652,000. The District also invested an additional \$400,000 in staffing to reduce class sizes at the kindergarten, first and second grade levels. The District expects to fund this budget in part with State aid and \$889,000 from reserves, which will result in a tax levy increase of 2.95%, below the State calculated tax levy limit of 4.41% for the 2014-15 fiscal year. The District is projecting an operating loss of approximately \$900,000, which is in line with 2014-15 budget estimates.

The budget for the 2015-2016 fiscal year was approved by the qualified voters on May 19, 2015. The budget included expenditures totaling \$107,265,430, or a 1.08% year-to-year decrease. In 2015-2016 the District begins to address needs and build back program that was cut in previous year; there were no reduction of positions for 2015-16. 14.9 additional positions were added to the budget using additional state aid and savings from attrition. The District expects to fund this budget in part with State aid, other revenues and \$589,000 from reserves, which will result in a tax levy increase of 1.17% which is at the State calculated tax levy limit of 1.17% for the 2015-16 fiscal year.

### **Investment Policy**

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State Law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments also include obligations of the United States Treasury, certain United States agencies, certain repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts. Investments are recorded at fair market value.

### **State Aid**

The School District receives financial assistance from the State. In its adopted budget for the 2014-2015 fiscal year, approximately 58% of the revenues of the School District are estimated to be received in the form of State aid. In its adopted budget for the 2015-2016 fiscal year, approximately 55.3% of the revenues of the School District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the School District, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the District. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions, which could eliminate or substantially reduce State aid, could have a material 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 "MARKET AND RISK FACTORS").

A portion of the District's State aid consists of building aid which is related to outstanding indebtedness for capital project purposes. In order to receive building aid, the District must have building plans and specifications approved by the Facilities Planning Unit of the State Education Department. A maximum construction and incidental cost allowance is computed for each building project that takes into account a pupil construction cost allowance and assigned pupil capacity. For each project financed with debt obligations, a bond percentage is computed. The bond percentage is derived from the ratio of total approved cost allowances to the total principal borrowed. Approved cost allowances are estimated until a project final cost report is completed.

Aid on debt service is generally paid in the current fiscal year provided such debt service is reported to the Commissioner of Education by November 15 of that year. Any debt service in excess of amounts reported by November 15 will not be aided until the following fiscal year. The building aid received is equal to the approved building expense, or bond percent, times the building aid ratio that is assigned to the District. The building aid ratio is calculated based on a formula that involves the full valuation per pupil in the District compared to a State-wide average.

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the School District is within the debt limit, the School District is not required to apply for a Building Aid Estimate. Based on 2015-2016 preliminary building aid ratios, the District State Building aid of approximately 94.3% for debt service on State Education Department approved expenditures from July 1, 2004 to the present.

The State building aid ratio is calculated each year based upon a formula which reflects Resident Weighted Average Daily Attendance (RWADA) and the full value per pupil compared with the State average. Consequently, the estimated aid will vary over the life of each issue. State building aid is further dependent upon the continued apportionment of funds by the State Legislature.

#### *State aid history:*

State aid to school districts within the State has declined in some recent years before increasing again in more recent years.

*School district fiscal year (2010-2011):* The total reduction in State aid for school districts' 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 school districts' 2011-2012 fiscal year was \$1.3 billion or 6.1% 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 included an increase of \$751 million in State aid for school districts.

The 2012-13 State budget linked additional school aid to compliance with a new teacher evaluation process. A school district would not be eligible for an aid increase in 2012-2013 unless it had its teacher evaluation process reviewed and approved by the New York State Education Department by January 17, 2013. The New York State Education Department approved the District's initial Annual Professional Performance Review Plan (APPR) on August 22, 2012, and its most recent APPR plan on December 10, 2014.

*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 2014-2015 State budget includes a \$1.1 billion or 5.3% increase in State aid to school districts for the 2014-2015 school year. High-need school districts would receive 70% of the school aid increase. The 2014-15 State budget restored \$602 million of Gap Elimination Adjustment ("GEA") reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The 2014-2015 State budget will invest \$1.5 billion over five years to support the phase-in of a statewide universal full-day pre-kindergarten program.

The Smart Schools Bond Act was proposed as part of the 2014-2015 State budget and was subsequently approved by the voters of the State. 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. The School District's estimated allocation of funds thereunder is \$5,247,780.

*School district fiscal year (2015-2016):* The 2015-2016 State budget approved on April 1, 2015 includes a \$1.3 billion or 6% increase in State aid and includes improvements to the systems for teacher evaluation, certification and preparation as well as providing new authority to improve failing schools. The 2015-16 State budget also includes a 50% reduction in the GEA. Further information may be obtained at the official website of the New York State Division of Budget and the New York State Education Department

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

*Gap Elimination Adjustment (GEA)*

The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-2010 and was called “Deficit Reduction Assessment”) as a way to help close the State’s then \$10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. In 2014-15, the District projects a loss in funds totaling \$1,143,610 as a result of GEA. In 2015-16, the District projects a loss in funds totaling \$22,873 as a result of GEA. Since the program began, the total GEA and Deficit Reduction Assessment reduction in school aid for the District has amounted to approximately \$19.2 million.

**State Aid Revenues**

The following table illustrates the percentage of total revenues of the District for each of the below completed fiscal years and budgeted new figures comprised of State aid.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total State Aid</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2008-09	\$ 90,179,726	\$ 50,896,237	56.44%
2009-10	93,442,719	49,984,689	53.49%
2010-11	91,002,236	51,268,432	53.66%
2011-12	91,611,128	49,696,002	54.25%
2012-13	93,284,968	50,335,692	53.96%
2013-14	102,921,394	57,665,675	56.03%
2014-15 (Budgeted)	105,094,784	60,897,854	57.95%
2015-16 (Budgeted)	107,265,430	59,408,746	55.38%

Source: Audited financial statements and budgets of the School District. Summary itself is not audited.

**School Facilities**

<u>Name</u>	<u>Grade</u>	<u>Capacity</u>	<u>Year Built &amp; Addition(s)</u>
Calvin Coolidge	K-5	837	1950, '80
Benjamin Franklin	K-5	1,060	1928
Thomas Jefferson	K-5	540	1916
MacArthur <sup>(1)</sup>	K-5	1,155	1960
Horace Mann	K-5	756	1969
Theodore Roosevelt	K-5	756	1971
Woodrow Wilson	K-5	750	1919, '30
East Middle School	6-8	964	1938, '86
West Middle School	6-8	1,200	1930, '86
Binghamton High School	9-12	2,200	1914, '52, '80
Columbus <sup>(2)</sup>	9-12	230	1927

<sup>(1)</sup> In September, 2011, flooding from Tropical Storm Lee destroyed the District’s MacArthur Elementary Building. The building was closed, and students were relocated to other buildings in and around the District. (See “2011 Flood Damage” and “Capital Project Plans” herein)

<sup>(2)</sup> In July 2013, an emergency closure was declared at the school building when asbestos was found during testing. Remediation costs are estimated to be approximately \$4,800,000. 93% of the abatement costs are expected to be covered by State aid, with the rest to be paid from available funds of the District.

Source: School District Officials.

**Enrollment Trends**

<u>School Year</u>	<u>Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2010-11	5,788	2015-16	5,900
2011-12	5,794	2016-17	5,900
2012-13	5,898	2017-18	5,900
2013-14	5,802	2018-19	5,900
2014-15	5,745	2019-20	5,900

Source: School District officials.

**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 presented in the table below.

<u>Employees</u>	<u>Union</u>	<u>Contract Expiration Date</u>
598	Binghamton Teachers' Association	June 30, 2014 <sup>(1)</sup>
30	Binghamton Licensed Teaching Association	June 30, 2016
24	Binghamton Administrators' Association	June 30, 2016
181	Civil Service Employees' Association	June 30, 2015 <sup>(1)</sup>
222	Civil Service Employees' Association - Aides & Monitors	June 30, 2016

<sup>(1)</sup> Currently under negotiation.

Source: School District Officials.

## Status and Financing of Employee Pension Benefits

Substantially all employees of the School District are members of either the New York State and Local Employees' Retirement System ("ERS") (for non-teaching and non-certified administrative employees) or the New York State Teachers' Retirement System ("TRS") (for teachers and certified administrators). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. The Retirement Systems are non-contributory with respect to members working ten or more years. All members (other than those in Tier V and VI, as described below) working less than ten years must contribute 3% (ERS) or 3.5% (TRS) of gross annual salary towards the cost of retirement programs.

On December 12, 2009, a new Tier V was signed into law. The law became effective for new ERS and TRS hires on January 1, 2010. The legislation created a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring ERS employees to continue contributing 3% of their salaries and TRS employees to continue contributing 3.5% toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

On March 16, 2012, the Governor signed into law a New Tier VI pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for the final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contribution throughout employment.

The District's payments to the Retirement Systems since the 2008-09 fiscal year and budgeted payments for the 2015-16 fiscal years are as follows:

<u>Fiscal Year</u>	<u>TRS</u>	<u>ERS</u>
2008-09	\$ 2,482,070	\$ 667,646
2009-10	2,750,000	762,712
2010-11	2,732,693	1,091,748
2011-12	2,892,000	1,200,364
2012-13	3,683,902	1,723,742
2013-14	5,362,997	1,395,722
2014-15 (Estimated)	5,976,918	1,274,854
2015-16 (Budgeted)	4,667,164	1,250,000

The annual required pension contribution is due February 1 annually with the ability to pre-pay on December 15 at a discount. The District pre-pays this cost annually.

Historical Trends and Contribution Rates: Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and TRS rates as a percent of payroll (2010 to 2015) is shown below:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2009-10	7.4%	6.19%
2010-11	11.9	8.62
2011-12	16.3	11.11
2012-13	18.9	11.84
2013-14	20.9	16.25
2014-15	20.1	17.53
2015-16	18.2	13.26*

\*Estimated; final rate to be adopted by the Retirement Board in July 2015.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

The District is not amortizing any pension payments nor does it intend to do so in the foreseeable future.

Stable Rate Pension Contribution Option: The 2013-14 State Budget included a provision that provides local governments and school districts, including the District, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and TRS. The stable rates would be 12% for ERS and 14% for TRS. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years.

The District did not participate in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

The investment of monies and assumptions underlying same, of the Retirement Systems covering the School District’s employees is not subject to the direction of the School District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the School District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

While the School District is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for any increases, there can be no assurance that its financial position will not be negatively impacted.

### **Other Post Employee Benefits**

It should also be noted that the School District provides employment healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that will require governmental entities, such as the School District, to account for employment healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 (“GASB 45”) of the Governmental Accounting Standards Board (“GASB”), described below, requires such accounting.

School districts and boards of cooperative educational services, unlike other municipal units of government in the State, are 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. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.



GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, 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.

GASB 45 requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each municipality or school district. 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 or school district 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 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 contracted with an actuarial firm to assist in the determination of the costs and liabilities associated with the District's OPEB plan (the "Plan"). This analysis has been completed in accordance with GASB Statement No. 45; Accounting and Financial Reporting by Employers for Post-Employment Benefits other than Pensions.

Based on the most recent actuarial evaluation dated July 1, 2012 and financial data as of June 30, 2014, the following tables shows the components of the District's annual OPEB cost, the amount actuarially contributed to the plan, changes in the District's net OPEB obligation and funding status as of the 2014 and 2013 fiscal years.

***Annual OPEB Cost and Net OPEB Obligation:***

	<u>2014</u>	<u>2013</u>
Annual required contribution (ARC)	\$ 16,010,748	\$ 14,909,954
Interest on net OPEB obligation	1,799,597	1,317,054
Adjustment to ARC	<u>(2,769,128)</u>	<u>(1,980,880)</u>
Annual OPEB cost (expense)	15,041,217	14,245,628
Contributions made	<u>(2,339,266)</u>	<u>(2,182,054)</u>
Increase in net OPEB obligation	12,701,951	12,063,574
Net OPEB obligation - beginning of year	<u>44,989,922</u>	<u>32,926,348</u>
Net OPEB obligation - end of year	<u>\$ 57,69,873</u>	<u>\$ 44,989,922</u>
Percentage of annual OPEB cost contributed	15.6%	15.3%

***Funding Status:***

Actuarial Accrued Liability (AAL)	\$ 133,716,557	\$ 123,782,000
Actuarial Value of Assets	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 133,716,557</u>	<u>\$ 123,782,000</u>
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 15,041,217	15.6%	\$ 57,691,873
2013	14,245,628	15.3	44,989,922
2012	11,131,505	19.3	32,926,348

The aforementioned liability and ARC are recognized and will be disclosed in accordance with GASB 45 standards in the District's audited financial statements.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The District has reserved \$0 towards its OPEB liability. The District meets this liability on a pay-as-you-go basis.

The District's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both.

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. The District has approximately 1,066 active employees and 494 retirees.

### **Other Information**

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Notes are to be issued is the Education Law and the Local Finance Law.

No principal or interest upon any obligation of the School District is past due.

The fiscal year of the School District is July 1 to June 30.

Except as set forth herein under the heading "Status of Indebtedness – Estimated Overlapping Indebtedness" this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the School District.

### **Financial Statements**

The School District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2014 and is attached hereto as APPENDIX-D to this Official Statement. Certain financial information of the School District can also be found attached as additional Appendices to the Official Statement.

In addition, the State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the School District has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The School District complies with the Uniform System of Accounts as prescribed for School Districts in New York State by the State. This system differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

### **New York State Comptroller Report of Examination**

The NYS Comptroller's office released an audit report of the District on January 24, 2014. The purpose of the audit was to examine the District's financial condition for the period July 1, 2011 through May 20, 2013. The audit found that District officials have taken appropriate action to manage the District's financial condition. District officials recognized the need to be proactive in budget development and expenditure controls. District officials and Central Business Office (CBO) representatives meet regularly to monitor and evaluate the current year's budget and available fund balance, and to plan for future years' budgets. This planning includes an ongoing evaluation of the District's spending trends and projected future fund balance.

A copy of the complete reports and the District's responses can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website

There are no State Comptrollers audits of the District currently in progress.

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

**Fiscal Stress Monitoring System**

The New York State Office of the State Comptroller (“OSC”) has developed a Fiscal Stress Monitoring System (“FSMS”) to provide independent information to school district officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State’s diverse school districts are operating.

The fiscal stress scores are based on financial information submitted as part of each district’s ST-3 report filed yearly with the State Education Department. Using financial indicators that include June 30, 2014 year-end fund balance, cash position and patterns of operating deficits, the OSC system creates an overall fiscal stress score which classifies whether a district 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 report for fiscal year ending 2013 designated the School District as “Susceptible to Fiscal Stress” with a Fiscal Score of 40.0%. The most recent available report for fiscal year ending 2014 currently designates the School District as “Susceptible to Fiscal Stress” with a Fiscal Score of 30.0%.

Additional information regarding the Fiscal Stress Monitoring System can be found by visiting the Fiscal Stress Monitoring System section of the Office of the State Comptroller website.

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

**TAX INFORMATION**

**Valuations <sup>(1)</sup>**

<u>Years Ending June 30:</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Assessed Valuation	\$ 1,273,706,289	\$ 1,278,577,421	\$ 1,267,150,328	\$ 1,268,324,692	\$ 1,263,528,846
Full Valuation <sup>(2)</sup>	1,599,251,483	1,646,728,775	1,501,377,473	1,537,901,658	1,528,043,161
Full Valuation <sup>(3)</sup>	1,512,569,054	1,552,313,591	1,536,960,554	1,579,820,064	1,616,687,132

- (1) See APPENDIX - C and APPENDIX - C1 for computation of Full Valuation, made with the use of regular State Equalization Rates and special State Equalization Ratios.
- (2) Full Valuation computed using regular State Equalization Rates.
- (3) Full Valuation computed using special State Equalization Rates.

**Tax Rates Per \$1,000 (Assessed) <sup>(1)</sup>**

<u>Years Ending June 30:</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Assessed Valuation:</u>						
City of Binghamton						
Homestead	\$ 24.84	\$ 24.79	\$ 25.52	\$ 26.39	\$ 26.89	\$ 27.87
Non-Homestead	35.71	35.78	36.89	38.07	38.79	40.18
Town of Dickenson:						
Homestead	28.23	29.52	30.47	34.51	34.44	32.43
Non-Homestead	32.19	33.87	35.15	39.40	38.31	35.98

- (1) The School District, under the Real Property Tax Law, has applied the Homestead/Non-Homestead method of computing tax rates for the City, Town and School District. This method allows a school district to shift 25% of the levy to Non-Homestead properties (e.g., commercial properties). However, the shift cannot result in an increase to the Non-Homestead properties over 125%. To be eligible for Homestead/Non-Homestead, a school district must have 20% or more of taxable parcels within a city or school district which has selected this method of tax distribution.

## Tax Collection Procedure

School District taxes on properties located within the City are collected by the City Tax Collector. The School District appoints a Tax Collector to collect taxes on properties within the Town of Dickinson. Taxpayers within the City have the option of paying their taxes in full during the month of September or in three installments as follows: September 1-30; November 1-30 and March 1-31. No fees are charged if the installment method is chosen. No installment may be paid unless prior installments, and interest if any, of current taxes have been paid.

If any installment is paid after its due date, the penalty, as stated, is 1% per month plus a 5% collection fee on uncollected taxes in the City. The City pays the School District the taxes as collected each month, including the 1% penalty but excluding the 5% collection fee. Starting in July, the penalty becomes 1/2 of 1% per month. The City holds a tax sale on November 1 (thirteen months after the initial levy) and bids in on all the property. The School District then receives the balance of taxes due plus accumulated interest penalties, but not the 5% collection fee which is retained by the City. Thus, the School District collects all of its City-based tax levy in November of the following fiscal year.

Uncollected taxes in the Town of Dickinson are returned to the County for collection about November 15 and the School District receives the full amount due by April of the same fiscal year.

## Tax Levy and Collection Record

<u>Fiscal Years Ending June 30:</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Tax Levy	\$ 35,967,082	\$ 36,507,717	\$ 37,785,487	\$ 38,731,635	\$ 39,462,133
Taxes Added or (Canceled)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Tax Levy	\$ 35,967,082	\$ 36,507,717	\$ 37,785,487	38,731,635	39,462,133
Total Collections	33,340,432	33,535,011	32,557,639	33,375,897	33,650,218
Total Uncollected	2,626,650	2,972,706	5,227,848	5,355,738	5,811,915
Percent Collected	90.8%	91.9%	86.2%	86.2%	85.3%

## Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the School District for each of the below completed fiscal years and budgeted figures comprised of Real Property Taxes.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes</u>	<u>Percentage of Total Revenues Consisting of Real Property Tax</u>
2008-09	\$ 90,179,726	\$ 35,956,205	39.87%
2009-10	93,442,719	36,665,484	39.24%
2010-11	91,002,236	36,871,352	40.52%
2011-12	91,611,128	37,741,393	41.20%
2012-13	93,284,968	39,434,425	42.27%
2013-14	102,174,627	40,089,930	39.24%
2014-15 (Budgeted)	105,094,784	40,625,810	38.66%
2015-16 (Budgeted)	107,265,430	41,102,092	38.32%

Source: Audited financial statements and budgets of the District. Table itself is not audited.

## Larger Taxpayers 2014-15 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Full Valuation</u>
New York State Electric & Gas	Utility	\$ 66,308,040
Norfolk Southern Corp.	Railroad	15,651,401
Five Riverside Towers	Real Estate	6,983,200
Legacy Bay Apartments	Real Estate	6,811,000
Front Street Binghamton, LLC	Commercial	6,006,000
Security Mutual Life Ins. Co.	Insurance	5,285,400
Park Creek Realty, LLC	Commercial	4,900,900
Arena Hotel Corp.	Hotel	4,115,500
PCP Binghamton Assoc. LLC	Commercial	4,033,000
VMR Realty Mgmt. LLC	Real Estate	3,911,200
Colonial Plaza Associates	Commercial	3,761,640
New York Telephone	Utility	3,095,059
Giant Markets	Food Markets	3,250,000

The fourteen larger taxpayers listed above have a total assessed valuation of \$134,112,340 which represents 8.8% of the tax base of the School District.

Note Tax certiorari claims continue to be filed by both business and private individuals. The balance of the District's tax certiorari reserve is \$789,728 as of June 30, 2014. The District is authorized by the Local Finance Law to borrow to pay such settlements if necessary.

Source: School District Tax Rolls.

## 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.

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and undisclosed retirement annuities ("STAR Adjusted Gross Income") of \$83,300 or less, increased annually according to a Cost-of-Living adjustment, are eligible for an "enhanced" exemption. Other homeowners with household STAR Adjusted Gross Income not in excess of \$500,000 are eligible for a "basic" exemption on their primary residence.

<u>Municipality</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
City of Binghamton	\$ 54,200	\$ 24,900	4/8/15
Town of Dickinson	46,690	21,450	4/8/15

STAR Aid payments for the 2014-15 fiscal were received in December 2014 and in January, 2015.

\$6,133,069 of the District's \$40,625,811 school tax levy for 2014-15 was exempted by the STAR Program. The District received all of such exempt taxes from the State by January, 2015.

## Additional Tax Information

Senior citizens' exemptions from School District taxes are offered to those who qualify.

The assessment roll of the School District is constituted approximately as follows: 20% commercial, 12% industrial and 68% residential.

The total property tax bill of a typical residence with a market value of \$100,000 is estimated to be \$2,850 including County, City or Town, and School District taxes.

## Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (“Chapter 97” or the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are indirectly affected by applicability to their respective City.)

Prior to the enactment of the Tax Levy Limitation Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget 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”).

Chapter 97 now requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It expires on June 15, 2016 unless other legislation is extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year. Whether the exclusions discussed below would apply in these circumstances is not clear.

A school district’s calculation of each fiscal year’s tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, and the Teachers’ Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for “Capital Local Expenditures” subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. “Capital Local Expenditures” are defined as “the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law”. The portion of the tax levy necessary to support “Capital Local Expenditures” is defined as the “Capital Tax Levy”, and this is an exclusion from the tax levy limitation. This exception does not apply to the Notes.

On February 20, 2013, the New York State United Teachers (“NYSUT”) organization filed a lawsuit against the State challenging the Tax Levy Limitation Law as applied to school districts on multiple federal and state constitutional grounds. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT’s causes of action but granted NYSUT’s motion to amend the complaint. After the ruling, NYSUT released a statement which indicated that it is very likely that NYSUT will continue its challenge to the constitutionality of the Tax Levy Limitation Law. On March 16, 2015, the New York State Supreme Court dismissed the latest complaint. The NYSUT is planning to appeal, and the ultimate outcome of this litigation cannot be determined at this time.

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 Limitation 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.

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 Limitation Law. The implications of this for future tax levies and for operations and services of the District are uncertain at this time.

See “THE SCHOOL DISTRICT – Budgetary Procedures” herein for additional information regarding the District’s Tax Levy.

## **STATUS OF INDEBTEDNESS**

### **Constitutional Requirements**

The New York State Constitution limits the power of the School District (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the School District and the Notes include the following:

Purpose and Pledge. The School District shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The School District may contract indebtedness only for a School District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; and unless substantially level or declining annual debt service is authorized and utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The School District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit. The School District has the power to contract indebtedness for any school district purpose authorized by the legislature of the State of New York provided the aggregate principal amount thereof shall not exceed five per centum of the average full valuation of the taxable real estate of the School District and subject to certain enumerated deductions and exclusions set forth in the Local Finance Law. The constitutional method for determining average full valuation is by taking the assessed valuation of taxable real estate for the last five completed assessment rolls and applying thereto the ratio (special equalization ratio) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

## **Statutory Procedure**

In general, the State Legislature has authorized the power and procedure for the School District to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

The School District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. This includes voter approval of bond resolutions authorizing the issuance of bonds, and notes in anticipation of the bonds.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the School District is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity is commenced within twenty days after the date of such publication, or
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions, the School District complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

The Board of Education, as the finance board of the School District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the President of the Board of Education, the chief fiscal officer of the School District, pursuant to the Local Finance Law.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

In general, the Local Finance Law contains provisions providing the School District with power to issue certain other short-term general obligation indebtedness, including revenue and tax anticipation notes, deficiency notes and budget notes (see "Details of Outstanding Indebtedness" herein).



**Debt Outstanding End of Fiscal Year**

<u>Fiscal Years Ending June 30:</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Bonds	\$ 18,445,000	\$ 16,045,000	\$ 52,650,000	\$ 57,100,000	\$ 51,920,000
Energy Performance Contracts <sup>(1)</sup>	944,772	416,386	0	0	0
Bond Anticipation Notes	36,800,000	36,690,000	31,060,000	16,000,000	20,000,000
Revenue Anticipation Notes	0	0	17,200,000	7,200,000	10,000,000
Tax Anticipation Notes	<u>6,000,000</u>	<u>10,000,000</u>	<u>0</u>	<u>5,000,000</u>	<u>9,000,000</u>
Totals	\$ 62,189,772	\$ 63,151,386	\$100,910,000	\$ 85,300,000	\$ 90,920,000

<sup>(1)</sup> Not general obligation debt; constitutes a lease-purchase transaction.

**Details of Outstanding Indebtedness**

The following table sets forth the indebtedness of the School District as of June 4, 2015:

	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2015-2027	\$ 47,480,000
<u>Bond Anticipation Notes</u>		
Capital Project	November 20, 2015	60,000,000
<u>Revenue Anticipation Notes</u>	June 30, 2015	<u>10,000,000</u>
	Total Debt Outstanding	<u>\$ 117,480,000</u>

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## Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 4, 2015:

	Computed Using Regular State Equalization Rates	Computed Using Special State Equalization Ratios <sup>(1)</sup>
Five-year Average Full Valuation of Taxable Real Property .....	\$ 1,562,660,510	\$ 1,559,670,079
Debt Limit 5% thereof <sup>(2)</sup> .....	78,133,025	77,983,504
<u>Inclusions:</u>		
Bonds.....	\$ 47,480,000	\$ 47,480,000
Bond Anticipation Notes .....	60,000,000	60,000,000
Tax Anticipation Notes .....	0	0
Revenue Anticipation Notes.....	<u>10,000,000</u>	<u>10,000,000</u>
Total Inclusions.....	\$ 117,480,000	\$ 117,480,000
<u>Exclusions:</u>		
Appropriations.....	\$ 1,045,000	\$ 1,045,000
Tax Anticipation Notes .....	10,000,000	10,000,000
Revenue Anticipation Notes.....	<u>0</u>	<u>0</u>
Total Exclusions.....	\$ 11,045,000	\$ 11,045,000
Total Net Indebtedness <sup>(3)</sup> .....	<u>\$ 106,435,000</u>	<u>\$ 106,435,000</u>
Net Debt-Contracting Margin.....	<u>\$ (28,301,975)</u>	<u>\$ (28,451,496)</u>
The percent of debt contracting power exhausted is.....	136.22%	136.48%

Note: The issuance of the Notes will not increase the net indebtedness of the District.

- (1) The School District's constitutional debt limit has been computed using Special Equalization ratios established by the State Office of Real Property Services pursuant to Article 12-B of the Real Property Tax Law. "Conventional" State equalization rates are also established by said State Board, and are used for all other purposes. See "Taxable Assessed Valuations".
- (2) The School District has received the consent of the Board of Regents and the Office of the State Comptroller to exceed its debt limit in anticipation of the issuance of bonds and/or bond anticipation notes in an aggregate amount not to exceed \$77,843,000 for the construction of a new Elementary School. The School District has also received consent to exceed its debt limit in anticipation of the issuance of \$11,100,000 for various improvements to School District buildings.
- (3) Although the School District is prohibited from claiming a deduction for State Building aid in determining its net bonded debt for debt statement purposes, the School District does receive Building aid. The School District estimates that it will receive Building aid of 94.1% on outstanding indebtedness. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to outstanding bonds or notes.

## Bonded Debt Service

A schedule of bonded debt service may be found attached hereto as APPENDIX - B.

## Capital Project Plans

On April 15, 2013 qualified voters of the District approved the MacArthur Replacement Capital Project 1,491-396. The 79% approval exceeded the 60% supermajority required for the project to proceed should obligations which may be issued exceed the District's constitutional debt limit. The total project cost is estimated at \$79,530,000, with anticipated FEMA funding of \$53,217,000, State aid of \$21,726,000, insurance recoveries of \$1,687,000 and a local share of \$2,900,000 funding the Capital Project. The building itself will cost approximately \$34.8 million to rebuild, however, the total project costs include additional expenses such as demolition/removal of the old school, site preparation, architectural/design fees, legal fees, insurance fees, interest on debt, and other related expenses.

On November 21, 2013, the District issued \$20,000,000 bond anticipation notes which represented the first phase in borrowing for this project, in part in anticipation of receipt of other monies, with additional borrowings to follow to meet cash flow needs of the project. On November 21, 2014 the notes outstanding were renewed and \$40,000,000 in new monies was added to provide additional financing for this Project.

On March 17, 2014, qualified voters of the District approved the reconstruction of and construction of improvements to various School District facilities at a maximum estimated cost of \$12,000,000 by margin of 428-98. The District plans to issue \$4,000,000 bond anticipation notes to cover preliminary costs in July 2015. The School District has received the consent of the Board of Regents and the Office of the State Comptroller to exceed its debt limit in anticipation of the issuance of bonds and/or bond anticipation notes for the reconstruction of and construction of improvements to various School District facilities.

### Cash Flow Borrowings

The School District does issue revenue and tax anticipation notes annually. The following is a history of the School District's revenue and tax anticipation note borrowings since the 2002-03 fiscal year.

<u>Fiscal Year</u>	<u>Amount</u>	<u>Type</u>	<u>Issue Date</u>	<u>Due Date</u>
2002-2003	\$ 6,000,000	RAN	1/25/02	10/18/02
2003-2004	6,750,000	RAN	6/6/03	10/3/03
2003-2004	6,000,000	RAN	10/24/03	1/23/04
2004-2005	8,000,000	RAN	1/22/04	1/21/05
2005-2006	9,500,000	RAN	1/20/05	1/20/06
2006-2007	9,500,000	RAN	1/20/06	1/19/07
2007-2008	9,500,000	RAN	1/19/07	1/18/08
2008-2009	9,500,000	RAN	1/18/08	1/16/09
2009-2010	9,500,000	RAN	1/15/09	1/15/10
2009-2010	5,000,000	TAN	1/29/10	6/30/10
2010-2011	6,000,000	TAN	6/24/10	1/24/11
2010-2011	8,000,000	TAN	1/20/11	6/30/11
2011-2012	10,000,000	TAN	6/23/11	1/20/12
2011-2012	5,000,000	TAN	11/22/11	6/29/12
2011-2012	10,000,000	RAN	2/16/12	7/13/12
2012-2013	7,200,000 *	RAN	6/28/12	1/25/13
2012-2013	10,000,000	TAN	7/12/12	1/25/13
2012-2013	12,000,000	TAN	1/24/13	6/28/13
2012-2013	7,200,000 *	RAN	1/24/13	1/24/14
2012-2013	5,000,000	TAN	6/24/13	1/24/14
2013-2014	10,000,000	RAN	1/23/14	7/23/14
2013-2014	9,000,000	TAN	6/27/14	1/27/15
2014-2015	10,000,000	RAN	1/27/15	6/30/15

\* It should be noted that certain cash flow borrowing amounts issued in the 2011-2012 fiscal year were to pay emergency repairs and operating expenses related to Tropical Storm Lee, expected to be reimbursed, in part, from State and/or Federal grants and aid.

### Federal Sequestration

In May 2012, the District issued \$5,000,000 of Qualified School Construction Bonds ("QSCBs") with a final maturity of 2026. At the time of issue the District expected from the Federal Government a 100% interest subsidy related to the QSCBs.

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments to certain state and local government filers claiming refundable credits under section 6431 of the Internal Revenue Code applicable to certain qualified bonds are subject to sequestration. This means that refund payments processed on or after October 1, 2014 and on or before September 30, 2015 will be reduced by the fiscal year 2015 sequestration rate of 7.3 percent, irrespective of when the amounts claimed by an issuer on any Form 8038-CP was filed with the IRS. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change.

This will equate to a \$5,733 decrease in the interest payment subsidy for the semi-annual interest payments due December 15, 2014 and June 15, 2015. The reduction percentage could change if Congress changes the sequester.

In addition, any future government shutdown may delay the processing of federal government payments to the District. If this were to occur, the District will be required to make payment of the full amount of interest due on the bonds at that time. These payments are expected to be reimbursed to the District with the government shutdown is over but when the federal government can process requests for, and make payment of, the applicable tax credit payments is not known at this time.

The District budgets for the full interest payment due on these bonds on an annual basis to cover for possible delays or shortfalls in the expected tax credit subsidy.

Sequestration has also affected District operating expenses. See “Budgetary Procedures and Recent Budget Details” herein for additional details.

**Estimated Overlapping Indebtedness**

In addition to the School District, the following political subdivisions have the power to issue bonds 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 is as follows:

<u>Unit Indebtedness</u>	<u>Outstanding Indebtedness</u> <sup>(1)</sup>	<u>Exclusions</u> <sup>(2)</sup>	<u>Net Indebtedness</u>	<u>% Within School District</u>	<u>Applicable Net Indebtedness</u>
County of Broome	\$ 154,069,579 <sup>(3)</sup>	\$ 0	\$ 154,069,579	16.57%	\$ 25,529,329
City of Binghamton	125,399,821 <sup>(4)</sup>	63,527,851	61,871,970	100.00%	61,871,970
Town of Dickinson	870,000 <sup>(5)</sup>	0	870,000	18.96%	<u>164,952</u>
				<b>Total</b>	<b><u>\$ 87,566,251</u></b>

- (1) Bonds and bond anticipation notes. Not adjusted to include subsequent bond sales, if any.
- (2) Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.
- (3) Source: Broome County Official Statement dated April 23, 2015.
- (4) Source: City of Binghamton Official Statement dated April 4, 2015.
- (5) Source: Comptroller’s Special Report on Municipal Affairs for Local Finance for fiscal years ending 2013 (most recent available).

**Debt Ratios**

The following table sets forth certain ratios relating to the District's indebtedness as of June 4, 2015.

	<u>Amount Indebtedness</u>	<u>Per Capita</u> <sup>(a)</sup>	<u>Percentage of Full Valuation</u> <sup>(b)</sup>
Net Indebtedness (see "Computation of Debt Limit").....	\$ 106,435,000	\$ 2,281.47	6.58%
Net Indebtedness Plus Net Overlapping Indebtedness <sup>(c)</sup> ...	194,001,251	4,158.48	12.00%

- (a) The 2013 estimated population of the District is 46,652.
- (b) The District's full value of taxable real estate for 2014-15 using special state equalization ratios is \$1,616,687,132.
- (c) Estimated net overlapping indebtedness is \$87,566,251.

Note: The above ratios do not take into account building aid the District will receive for capital projects.

**SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT**

**State Aid Intercept For School Districts.** In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the School District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes. The covenant between the State of New York and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Said section provides that in the event a holder or owner of any bond issued by a school district for school purposes shall file with the State Comptroller a verified statement describing such bond and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond. Such investigation by the State Comptroller shall cover the current status with respect to the payment of principal of and interest on all outstanding bonds of such school district issued for school purposes and the statement prepared and filed by the State Comptroller shall set forth a description of all such bonds of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State teachers retirement system, and (b) the principal of and interest on such bonds of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on bonds shall be forwarded promptly to the paying agent or agents for the bonds in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds pursuant to said Section 99-b.

**General Municipal Law Contract Creditors' Provision.** Each Note when duly issued and paid for will constitute a contract between the School District and the holder thereof. Under current law, provision is made for contract creditors of the School District to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the School District upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

**Execution/Attachment of Municipal Property.** As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the School District may not be enforced by levy and execution against property owned by the School District.

**Authority to File For Municipal Bankruptcy.** The Federal Bankruptcy Code allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

**Constitutional Non-Appropriation Provision.** There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See "General Municipal Law Contract Creditors' Provision" herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

**Default Litigation.** In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

**No Past Due Debt.** No principal of or interest on School District indebtedness is past due. The School District has never defaulted in the payment of the principal of and interest on any indebtedness.

## **MARKET AND RISK FACTORS**

There are various forms of risk associated with investing in the Notes. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

The financial condition of the School District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the School District's control. There can be no assurance that adverse events in the State or in other jurisdictions of the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or in other jurisdictions of the country or 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 School District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The School District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the School District, in any year, the School District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the School District. In several recent years, the School District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. Delays in Federal aid are also possible. (See also "State Aid").

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the School District could have an impact upon the operations of the school budget, its ratings and hence the market price of the Bonds. See "TAX INFORMATION - Tax Levy Limitation Law" herein.

See also "2011 Flood Damage" herein.

## **MATERIAL EVENT NOTICES**

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, the School District has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the securities, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform

- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the Note
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Notes
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the School District
- (m) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Note.

With respect to event (d) the School District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

With respect to event (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the School District determines that any such other event is material with respect to the Note; but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The School District reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the School District no longer remains an obligated person with respect to the Note within the meaning of the Rule. The School District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Note (including holders of beneficial interests in the Note). The right of holders of the Note to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the School District's obligations under its material event notices undertaking and any failure by the School District to comply with the provisions of the undertaking will neither be a default with respect to the Note nor entitle any holder of the Note to recover monetary damages.

The School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the School District; provided that the School District agrees that any such modification will be done in a manner consistent with the Rule.

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing.

### **Historical Disclosure Compliance**

In the past five fiscal years, the School District had failed to file in a timely manner certain material event notices relating to rating changes of the various insurers of certain outstanding bonds of the District. The underlying rating of the District was not affected by such bond insurer rating changes.

In the absence of any specific guidance, there is uncertainty as to whether the aforementioned could be considered material. Except for as stated above, the District in compliance with all other prior undertakings pursuant to the Rule for the past five years.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX – F.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The School District has covenanted to comply with certain restrictions designed to insure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes may otherwise affect an Owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislative proposals have been made which would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.”

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel’s opinion will be in substantially the form attached hereto as APPENDIX – F.



## **LITIGATION**

The School District is subject to a number of lawsuits in the ordinary conduct of its affairs. Other than as set forth above the School District does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the School District.

The District is involved in several lawsuits regarding physical injuries. The District estimates that its exposure is minimal and that the insurance coverage is adequate to cover the claims. The District is also involved in one other matter with threat of a lawsuit exposure which is expected to be within the limits of the insurance coverage.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the School District threatened against or affecting the School District to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the School District taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the School District.

### **Tax Certiorari Claims**

In a prior year there was a County-wide revaluation of all property assessments. As a result, numerous claims have been filed requesting assessment reductions. The District is not formally a party to these tax certiorari cases, but does receive notice and has a right to intervene in them. Cases that are pending for the current year and prior years, amount to \$2,249,282 at maximum potential refund, however, estimates of possible tax reductions cannot be calculated at this time, and therefore are not reflected in the financial statements of the District.

## **RATING**

The Notes are not rated.

Moody's Investors Service, Inc. has assigned its rating of "A1" with no outstanding outlook to the School District's outstanding general obligation bonds. This rating reflects only the view of Moody's and an explanation of the significance of such rating should be obtained from Moody's.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

## **FINANCIAL ADVISOR**

Fiscal Advisors & Marketing, Inc. (the "Financial Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Financial Advisor serves as independent financial advisor to the School District on matters relating to debt management. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Financial Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the School District and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated, or otherwise verified the information provided by the School District or the information set forth in this Official Statement or any other information available to the School District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are “forward-looking statements”, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the School District’s management’s beliefs as well as assumptions made by, and information currently available to, the School District’s management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the School District’s files with the repositories. When used in School District’s documents or oral presentation, the words “anticipate”, “believe”, “intend”, “plan”, “foresee”, “likely”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, “will”, or “should”, or similar words or phrases are intended to identify forward-looking statements.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the School District, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the School District for use in connection with the offer and sale of the Notes, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the School District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to limitation as to information in the Official Statement obtained from sources other than the School District, as to which no representation can be made.

The Official Statement is submitted only in connection with the sale of the Notes by the School District and may not be reproduced or used in whole or in part for any other purpose.

The School District hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

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The School District contact information is as follows: Ms. Karry Mullins, Assistant Superintendent for Administration, City School District of the City of Binghamton, 164 Hawley Street, Binghamton, New York 13902, telephone (607) 762-8100; fax (607) 762-8112, email: [mullinsk@binghamtonschools.org](mailto:mullinsk@binghamtonschools.org).

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**CITY SCHOOL DISTRICT OF THE CITY OF BINGHAMTON**

/s/ \_\_\_\_\_

**VALERIE J. HAMPTON  
PRESIDENT OF THE BOARD OF EDUCATION  
CHIEF FISCAL OFFICER**

**Dated: June 16, 2015**

**GENERAL FUND**

**Balance Sheets**

Fiscal Years Ending June 30:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b><u>ASSETS</u></b>					
Unrestricted Cash	\$ 5,394,255	\$ 11,345,866	\$ 9,894,676	\$ 6,469,736	\$ 16,898,218
Restricted Cash	8,063,423	6,613,410	5,894,776	3,941,897	8,396,600
State & Federal Aid Receivable	2,463,080	2,346,949	1,807,769	1,713,336	1,590,904
Due from Other Funds	2,814,571	3,987,165	6,810,354	1,676,700	3,201,114
Due from Fiduciary Funds	214,598	218,539	193,220	196,608	147,607
Due from Other Governments	1,567,961	2,348,511	2,773,816	2,287,882	2,401,406
Taxes Receivable	4,415,997	5,001,014	9,307,888	4,927,937	9,052,335
Other Receivables	616,224	566,933	1,189,724	1,397,604	1,066,285
Inventories	128,117	112,274	110,153	-	-
Deferred Expenditures	-	-	-	32,867	29,031
<b>TOTAL ASSETS</b>	<b><u>\$ 25,678,226</u></b>	<b><u>\$ 32,540,661</u></b>	<b><u>\$ 37,982,376</u></b>	<b><u>\$ 22,644,567</u></b>	<b><u>\$ 42,783,500</u></b>
<b><u>LIABILITES AND FUND EQUITY</u></b>					
Accounts Payable	\$ 920,809	\$ 1,050,136	\$ 981,711	\$ 1,545,802	\$ 1,277,621
Accrued Liabilities	179,982	305,656	362,403	182,122	236,043
Notes Payable	6,000,000	10,000,000	17,200,000	5,000,000	19,000,000
Due to Fiduciary Funds	26	1,488	977	4	-
Due to Other Governments	283,828	232,246	232,246	232,246	232,246
Due to Other Funds	-	248,053	1,892,882	7,367	7,453
Due to Teachers' Retirement System	2,762,479	3,813,291	4,593,690	4,732,053	6,313,905
Due to Employees' Retirement System	266,119	367,838	391,480	473,685	424,605
Compensated Absences	204,334	191,369	193,797	192,057	191,555
Deferred Revenues	53,720	2,360,144	59,387	39,831	49,139
<b>TOTAL LIABILITIES</b>	<b><u>\$ 10,671,297</u></b>	<b><u>\$ 18,570,221</u></b>	<b><u>\$ 25,908,573</u></b>	<b><u>\$ 12,405,167</u></b>	<b><u>\$ 27,732,567</u></b>
<b><u>FUND BALANCES</u></b>					
Non Spendable	\$ 10,539,298	\$ 128,116	\$ 110,153	\$ 32,867	\$ 29,031
Restricted	-	7,094,845	5,894,776	3,941,897	8,239,459
Assigned	1,800,000	3,365,395	4,576,683	2,450,000	2,699,723
Unassigned	2,667,631	3,382,084	1,492,191	3,814,636	4,082,720
<b>TOTAL FUND EQUITY</b>	<b><u>\$ 15,006,929</u></b>	<b><u>\$ 13,970,440</u></b>	<b><u>\$ 12,073,803</u></b>	<b><u>\$ 10,239,400</u></b>	<b><u>\$ 15,050,933</u></b>
<b>TOTAL LIABILITES and FUND EQUITY</b>	<b><u>\$ 25,678,226</u></b>	<b><u>\$ 32,540,661</u></b>	<b><u>\$ 37,982,376</u></b>	<b><u>\$ 22,644,567</u></b>	<b><u>\$ 42,783,500</u></b>

**GENERAL FUND**

**Revenues, Expenditures and Changes in Fund Balance**

Fiscal Years Ending June 30:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b><u>REVENUES</u></b>					
Real Property Taxes	\$ 28,738,878	\$ 29,389,558	\$ 30,254,327	\$ 31,411,443	\$ 32,414,100
Other Tax Items	7,217,327	7,275,926	6,617,025	6,329,950	7,020,325
Charges for Services	653,374	427,748	479,916	398,377	455,766
Use of Money & Property	726,311	554,243	504,278	539,273	614,219
Forfeitures	-	-	-	-	-
Sale of Property and					
Compensation for Loss	87,914	161,968	84,558	132,150	148,660
Miscellaneous	1,525,258	2,087,700	2,584,847	1,965,484	2,209,053
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	50,896,237	49,984,689	48,832,767	49,696,002	50,335,692
Revenues from Federal Sources	334,427	3,560,887	1,644,519	88,449	87,153
Total Revenues	<u>\$ 90,179,726</u>	<u>\$ 93,442,719</u>	<u>\$ 91,002,237</u>	<u>\$ 90,561,128</u>	<u>\$ 93,284,968</u>
Other Sources:					
Interfund Transfers	-	-	-	1,050,000	-
Total Revenues and Other Sources	<u>\$ 90,179,726</u>	<u>\$ 93,442,719</u>	<u>\$ 91,002,237</u>	<u>\$ 91,611,128</u>	<u>\$ 93,284,968</u>
<b><u>EXPENDITURES</u></b>					
General Support	\$ 10,484,586	\$ 11,621,011	\$ 12,764,091	\$ 10,791,174	\$ 11,340,493
Instruction	48,536,464	48,984,606	51,329,538	49,923,819	50,985,377
Pupil Transportation	2,649,978	2,634,507	2,670,081	2,726,261	2,697,547
Community Services	-	-	-	-	-
Employee Benefits	17,668,163	18,676,361	19,950,932	22,547,427	23,569,374
Debt Service	5,274,837	5,311,007	4,854,992	7,372,016	6,446,478
Total Expenditures	<u>\$ 84,614,028</u>	<u>\$ 87,227,492</u>	<u>\$ 91,569,634</u>	<u>\$ 93,360,697</u>	<u>\$ 95,039,269</u>
Other Uses:					
Interfund Transfers	46,687	29,354	465,574	168,731	80,103
Total Expenditures and Other Uses	<u>\$ 84,660,715</u>	<u>\$ 87,256,846</u>	<u>\$ 92,035,208</u>	<u>\$ 93,529,428</u>	<u>\$ 95,119,372</u>
Excess (Deficit) Revenues Over					
Expenditures	<u>5,519,011</u>	<u>6,185,873</u>	<u>(1,032,971)</u>	<u>(1,918,300)</u>	<u>(1,834,404)</u>
<b><u>FUND BALANCE</u></b>					
Fund Balance - Beginning of Year	3,279,361	8,798,373	15,006,929	13,970,440	12,073,804
Prior Period Adjustments (net)	<u>1</u>	<u>22,683</u>	<u>(3,518)</u>	<u>21,663</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 8,798,373</u>	<u>\$ 15,006,929</u>	<u>\$ 13,970,440</u>	<u>\$ 12,073,803</u>	<u>\$ 10,239,400</u>

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending June 30:

	<b>2014</b>		
	Original <u>Budget</u>	Modified <u>Budget</u>	<u>Actual</u>
<b>REVENUES</b>			
Real Property Taxes	\$ 39,462,133	\$ 33,144,679	\$ 33,144,678
Other Tax Items	398,418	6,715,872	6,945,252
Charges for Services	409,000	409,000	599,319
Use of Money & Property	524,404	524,404	509,077
Forfeitures	-	-	-
Sale of Property and Compensation for Loss	-	-	81,380
Miscellaneous	2,725,000	2,725,000	3,845,553
Interfund Revenues	-	-	-
Revenues from State Sources	54,183,672	54,183,672	57,665,675
Revenues from Federal Sources	270,000	270,000	130,460
Total Revenues	<u>\$ 97,972,627</u>	<u>\$ 97,972,627</u>	<u>\$ 102,921,394</u>
Other Sources:			
Interfund Transfers	-	-	-
Total Revenues and Other Sources	<u>\$ 97,972,627</u>	<u>\$ 97,972,627</u>	<u>\$ 102,921,394</u>
<b>EXPENDITURES</b>			
General Support	\$ 11,990,340	\$ 12,090,065	\$ 11,160,013
Instruction	51,355,445	51,419,200	49,977,189
Pupil Transportation	3,006,014	2,997,472	2,865,444
Community Services	-	-	-
Employee Benefits	28,207,239	28,052,301	24,675,516
Debt Service	7,877,400	7,877,400	7,701,068
Total Expenditures	<u>\$ 102,436,438</u>	<u>\$ 102,436,438</u>	<u>\$ 96,379,230</u>
Other Uses:			
Interfund Transfers	95,000	1,737,000	1,697,763
Total Expenditures and Other Uses	<u>\$ 102,531,438</u>	<u>\$ 104,173,438</u>	<u>\$ 98,076,993</u>
Excess (Deficit) Revenues Over Expenditures	<u>(4,558,811)</u>	<u>(6,200,811)</u>	<u>4,844,401</u>
<b>FUND BALANCE</b>			
Fund Balance - Beginning of Year	4,558,811	6,200,811	10,239,400
Prior Period Adjustments (net)	-	-	(32,868)
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,050,933</u>

**GENERAL FUND**

**Revenues, Expenditures and Changes in Fund Balance - Budget**

Fiscal Years Ending June 30:	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	Adopted	Adopted	Adopted	Adopted	Adopted
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
<b><u>REVENUES</u></b>					
Real Property Taxes	\$ 37,785,487	\$ 38,731,636	\$ 39,462,133	\$ 40,625,810	\$ 41,102,092
Other Tax Items	350,000	428,080	398,418	615,014	819,592
Charges for Services	466,280	466,280	409,000	410,000	460,000
Use of Money & Property	524,904	524,904	524,404	541,106	531,000
Forfeitures	400	400	-	-	-
Sale of Property and Compensation for Loss	-	-	-	-	-
Gifts & Donations	-	-	-	-	-
Miscellaneous	1,775,000	1,625,000	1,425,000	1,735,000	1,735,000
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	51,268,432	50,481,848	54,183,672	60,897,854	59,408,746
Revenues from Federal Sources	520,000	270,000	270,000	270,000	170,000
Appropriated Reserves	1,570,000	1,845,000	1,752,000	889,000	589,000
<b>Total Revenues</b>	<b>\$ 94,260,503</b>	<b>\$ 94,373,148</b>	<b>\$ 98,424,627</b>	<b>\$ 105,983,784</b>	<b>\$ 104,815,430</b>
<b><u>EXPENDITURES</u></b>					
<b><u>Administration</u></b>					
General Support	\$ 4,238,718	\$ 4,344,090	\$ 4,396,500	\$ 4,570,413	\$ 4,812,899
Instruction	3,217,044	3,267,531	3,164,643	3,500,483	3,876,830
Employee Benefits	2,191,724	2,257,652	2,594,927	2,690,592	2,879,741
<b><u>Program</u></b>					
Instruction	47,448,567	49,606,305	48,203,898	50,033,122	51,795,332
Student Transportation	2,663,594	2,819,057	2,985,043	2,978,468	3,124,209
Employee Benefits	19,671,081	21,230,296	23,616,655	24,255,787	24,177,107
<b><u>Capital</u></b>					
Central Services	7,061,891	6,945,234	7,281,416	6,578,474	6,779,066
Employee Benefits	1,805,924	1,785,681	1,994,145	1,953,641	1,958,564
Debt Service	8,353,732	6,007,302	7,877,400	7,747,204	7,811,682
Interfund Transfers to Capital Fund	-	-	-	4,065,600	-
Special Items	58,228	60,000	60,000	60,000	50,000
<b>Total Expenditures</b>	<b>\$ 96,710,503</b>	<b>\$ 98,323,148</b>	<b>\$ 102,174,627</b>	<b>\$ 108,433,784</b>	<b>\$ 107,265,430</b>
Excess (Deficit) Revenues Over Expenditures	(2,450,000)	(3,950,000)	(3,750,000)	(2,450,000)	(2,450,000)
<b><u>FUND BALANCE</u></b>					
Fund Balance - Beginning of Year	2,450,000	3,950,000	3,750,000	2,450,000	2,450,000
Prior Period Adjustments (net)	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Source: Adopted budgets of the School District. This Appendix is not itself audited.

**BONDED DEBT SERVICE**

Fiscal Year Ending June 30th	Principal	Interest	Total
2015	\$ 5,485,000	\$ 2,119,290	\$ 7,604,290
2016	5,655,000	1,934,159	7,589,159
2017	5,275,000	1,726,161	7,001,161
2018	5,460,000	1,530,711	6,990,711
2019	3,495,000	1,351,661	4,846,661
2020	3,640,000	1,194,561	4,834,561
2021	3,810,000	1,029,936	4,839,936
2022	3,975,000	848,611	4,823,611
2023	4,165,000	650,111	4,815,111
2024	4,355,000	441,518	4,796,518
2025	3,240,000	262,605	3,502,605
2026	2,170,000	143,705	2,313,705
2027	1,195,000	59,750	1,254,750
<b>TOTALS</b>	<b>\$ 51,920,000</b>	<b>\$ 13,292,780</b>	<b>\$ 65,212,780</b>

CURRENT BONDS OUTSTANDING

Fiscal Year Ending 6/30	<b>\$6,505,000</b> 2002		<b>\$8,094,824</b> 2005*		<b>\$11,055,000</b> 2011 DASNY		<b>\$4,225,000</b> 2012	
	Refunding of 2001 Bonds		Capital Project		Capital Project		Refunding of 2004 bonds	
	2/15	8/15 & 2/15	10/1	10/1 & 4/1	7/15	7/15 & 1/15	10/15	10/15 & 4/15
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 560,000	\$ 52,110	\$ 750,000	\$ 109,244	\$ 695,000	\$ 473,900	\$ 815,000	\$ 85,550
2016	585,000	26,910	780,000	81,025	725,000	441,875	830,000	64,950
2017	-	-	815,000	50,100	765,000	404,625	860,000	39,600
2018	-	-	845,000	16,900	805,000	365,375	890,000	13,350
2019	-	-	-	-	845,000	324,125	-	-
2020	-	-	-	-	890,000	280,750	-	-
2021	-	-	-	-	935,000	235,125	-	-
2022	-	-	-	-	980,000	187,250	-	-
2023	-	-	-	-	1,030,000	137,000	-	-
2024	-	-	-	-	1,085,000	84,125	-	-
2025	-	-	-	-	1,140,000	28,500	-	-
<b>TOTAL</b>	<b>\$ 1,145,000</b>	<b>\$ 79,020</b>	<b>\$ 750,000</b>	<b>\$ 257,269</b>	<b>\$ 9,895,000</b>	<b>\$ 2,962,650</b>	<b>\$ 3,395,000</b>	<b>\$ 203,450</b>

\* Refunded by 2013 series refunding bonds. Total does not include \$2,440,000 advance refunded bonds which were fully redeemed as of their call date of October

Fiscal Year Ending 6/30	<b>\$5,000,000</b> 2012		<b>\$18,510,000</b> 2012		<b>\$12,445,000</b> 2013 DASNY		<b>\$3,915,000</b> 2013	
	QSCB - Capital Project		DASNY - Capital Project		Reconstruction of Schools		Refunding of 2005 bonds	
	6/15	12/15 & 6/15	9/15	3/15 & 9/15	6/15	12/15 & 6/15	9/15	3/15 & 9/15
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 325,000	\$ 157,086	\$ 1,270,000	\$ 680,150	\$ 720,000	\$ 535,850	\$ 350,000	\$ 121,050
2016	325,000	150,099	1,320,000	628,350	735,000	521,450	1,135,000	100,525
2017	350,000	142,136	1,375,000	574,450	755,000	499,400	1,170,000	65,950
2018	350,000	132,686	1,430,000	518,350	775,000	476,750	1,210,000	24,200
2019	350,000	121,836	1,490,000	459,950	810,000	445,750	-	-
2020	350,000	109,411	1,550,000	399,150	850,000	405,250	-	-
2021	375,000	96,111	1,610,000	335,950	890,000	362,750	-	-
2022	375,000	81,486	1,685,000	261,625	935,000	318,250	-	-
2023	375,000	66,486	1,775,000	175,125	985,000	271,500	-	-
2024	375,000	51,018	1,865,000	84,125	1,030,000	222,250	-	-
2025	400,000	35,080	615,000	28,275	1,085,000	170,750	-	-
2026	400,000	17,680	635,000	9,525	1,135,000	116,500	-	-
2027	-	-	-	-	1,195,000	59,750	-	-
<b>TOTAL</b>	<b>\$ 4,350,000</b>	<b>\$ 1,161,116</b>	<b>\$ 16,620,000</b>	<b>\$ 4,155,025</b>	<b>\$ 11,900,000</b>	<b>\$ 4,406,200</b>	<b>\$ 3,865,000</b>	<b>\$ 311,725</b>



**COMPUTATION OF FULL VALUATION**

**Using Regular Equalization Rates**

Fiscal Year Ending June 30:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b><u>Assessed Valuation</u></b>					
City of: Binghamton	\$ 1,244,355,666	\$ 1,249,222,304	\$ 1,237,833,624	\$ 1,238,953,055	\$ 1,234,015,028
Town of: Dickinson	<u>29,350,623</u>	<u>29,355,117</u>	<u>29,316,704</u>	<u>29,371,637</u>	<u>29,513,818</u>
<b>Total Assessed Valuation</b>	\$ 1,273,706,289	\$ 1,278,577,421	\$ 1,267,150,328	\$ 1,268,324,692	\$ 1,263,528,846
<b><u>State Equalization Rates</u></b>					
City of: Binghamton	80.00%	78.00%	85.00%	83.00%	83.00%
Town of: Dickinson	67.00%	65.00%	65.00%	65.00%	71.50%
<b><u>Full Valuation</u></b>					
City of: Binghamton	\$ 1,555,444,583	\$ 1,601,567,056	\$ 1,456,274,852	\$ 1,492,714,524	\$ 1,486,765,094
Towns of: Dickinson	<u>43,806,900</u>	<u>45,161,718</u>	<u>45,102,622</u>	<u>45,187,134</u>	<u>41,278,067</u>
<b>Total Full Valuation</b>	\$ 1,599,251,483	\$ 1,646,728,775	\$ 1,501,377,473	\$ 1,537,901,658	\$ 1,528,043,161

**COMPUTATION OF FULL VALUATION**

**Using Special Equalization Ratios**

Fiscal Year Ending June 30:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b><u>Assessed Valuation</u></b>					
City of: Binghamton	\$ 1,244,355,666	\$ 1,249,222,304	\$ 1,237,833,624	\$ 1,238,953,055	\$ 1,234,015,028
Town of: Dickinson	<u>29,350,623</u>	<u>29,355,117</u>	<u>29,316,704</u>	<u>29,371,637</u>	<u>29,513,818</u>
<b>Total Assessed Valuation</b>	\$ 1,273,706,289	\$ 1,278,577,421	\$ 1,267,150,328	\$ 1,268,324,692	\$ 1,263,528,846
<b><u>Special Equalization Ratios</u></b>					
City of: Binghamton	84.84%	82.92%	82.78%	80.65%	78.55%
Towns of: Dickinson	64.00%	64.13%	70.42%	67.35%	64.59%
<b><u>Full Valuation</u></b>					
City of: Binghamton	\$ 1,466,708,706	\$ 1,506,539,199	\$ 1,495,329,336	\$ 1,536,209,616	\$ 1,570,993,034
Town of: Dickinson	<u>45,860,348</u>	<u>45,774,391</u>	<u>41,631,218</u>	<u>43,610,448</u>	<u>45,694,098</u>
<b>Total Full Valuation</b>	\$ 1,512,569,054	\$ 1,552,313,591	\$ 1,536,960,554	\$ 1,579,820,064	\$ 1,616,687,132

2015-2016 ESTIMATED MONTHLY CASH FLOW

(General Fund)

CASH FLOW	2015									2016	8 MONTH TOTAL
	June	July	August	September 1-26	September 26-30	October	November	December	January		
<b>Beginning Balance:</b>	\$ 17,688,116	\$ 7,784,980	\$ 4,618,147	\$ 2,769,846	\$ 944,426	\$ 10,810,051	\$ 6,828,601	\$ 9,521,196	\$ 6,641,125		
<b>Receipts:</b>											
Real Property Taxes	\$ -	\$ 381,375	\$ -	\$ 5,269,638	\$ 2,635,700	\$ 5,176,530	\$ 6,203,700	\$ 4,000,150	\$ 3,101,850	\$ 26,768,943	
State Revenues	4,279,960	65,854	1,568,340	347,952	7,013,952	373,500	373,500	5,633,174	7,073,647	26,729,879	
BOCES Aid	1,589,968	183,477	-	2,522,646	-	-	-	763,601	-	5,059,693	
Federal Revenues	-	-	-	-	-	-	-	-	-	-	
Health ACH	112,337	123,406	123,619	-	122,279	-	-	119,994	122,169	723,803	
Transfers	691,750	960,481	348,811	286,380	8,714	132,324	772,141	701,050	3,275,039	7,176,690	
FEMA - Capital Fund	-	-	-	-	-	-	-	-	-	-	
Miscellaneous	156,254	454,652	52,279	444,458	84,981	60,106	97,169	177,803	162,005	1,689,707	
Loans & Payments - Funds	-	-	-	-	-	-	-	-	-	-	
TAN Proceeds	11,000,000	-	-	-	-	-	-	-	-	11,000,000	
RAN Proceeds	-	-	-	-	-	-	-	-	-	-	
<b>Total Receipts</b>	\$ 17,830,269	\$ 2,169,245	\$ 2,093,049	\$ 8,871,075	\$ 9,865,626	\$ 5,742,460	\$ 7,446,510	\$ 11,395,772	\$ 13,734,709	\$ 79,148,715	
<b>Total Available Cash</b>	\$ 35,518,385	\$ 9,954,225	\$ 6,711,196	\$ 11,640,921	\$ 10,810,051	\$ 16,552,512	\$ 14,275,111	\$ 20,916,968	\$ 20,375,834		
<b>Disbursements:</b>											
Warrant	\$ 1,212,338	\$ 2,035,923	\$ 519,620	\$ 872,093	\$ -	\$ 757,122	\$ 186,082	\$ 1,480,173	\$ 987,985	\$ 8,051,336	
Payroll	9,509,983	632,716	951,606	3,682,336	-	3,766,909	1,944,470	5,761,939	3,759,857	30,009,816	
Debt Service	-	-	-	-	-	-	-	-	-	-	
Blue Cross Blue Shield	2,384,845	978,270	1,857,169	1,294,031	-	1,950,473	1,741,081	2,461,540	1,509,224	14,176,634	
BOCES Contract	1,873,953	200,269	-	1,130,707	-	1,130,707	374,660	1,637,662	1,409,244	7,757,201	
Transfers	1,400,000	550,000	550,000	876,178	-	1,250,000	260,000	1,000,000	800,000	6,686,178	
Miscellaneous	-	-	36,900	-	-	-	-	1,588,070	-	1,624,970	
Loans & Payments - Funds	1,320,204	938,900	26,055	2,841,150	-	868,700	247,622	346,459	211,875	6,800,964	
TAN Repayment	-	-	-	-	-	-	-	-	11,052,500	11,052,500	
RAN Repayment	10,032,083	-	-	-	-	-	-	-	-	10,032,083	
<b>Total Disbursements</b>	\$ 27,733,405	\$ 5,336,078	\$ 3,941,350	\$ 10,696,495	\$ -	\$ 9,723,911	\$ 4,753,915	\$ 14,275,843	\$ 19,730,685	\$ 96,191,682	
<b>Ending Balance:</b>	\$ 7,784,980	\$ 4,618,147	\$ 2,769,846	\$ 944,426	\$ 10,810,051	\$ 6,828,601	\$ 9,521,196	\$ 6,641,125	\$ 645,149		

Note: The District anticipates a deficit of approximately \$10,055,574 on September 26, 2015 in anticipation of the receipt State Aid Revenues expected on or after September 28, 2015

**CITY SCHOOL DISTRICT OF THE CITY OF BINGHAMTON**

**BROOME COUNTY, NEW YORK**

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2014**

**Such Audited Financial Statement and opinion were prepared as of the date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.**

**BINGHAMTON CITY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**BINGHAMTON CITY SCHOOL DISTRICT**

**TABLE OF CONTENTS**

<b><u>Statement Number</u></b>	<b><u>Page</u></b>
Independent Auditors' Report	3-5
Management's Discussion and Analysis	6-17
Statement of Net Position	18
Statements of Activities	19
Balance Sheets - Governmental Funds	20
Statements of Revenues, Expenditures and Changes in Fund Equity - Governmental Funds	21
Statement of Fiduciary Net Position-Fiduciary Funds	22
Statement of Changes in Fiduciary Net Position-Fiduciary Funds	22
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	23
Reconciliation of Governmental Funds Revenue, Expenditures and Changes in Fund Equity to the Statement of Activities	24
Notes to Financial Statements	25-49

**REQUIRED SUPPLEMENTARY INFORMATION  
AND  
SUPPLEMENTARY INFORMATION**

SS1	Schedule of Funding progress Other Post- Employment Benefits Plan	51
SS2	Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP) and Actual - General Fund	52-53
SS3	Schedule of Change from Original Budget to Revised Budget and Section 1318 of Real Property Tax Law Limit Calculation	54
SS4	Schedule of Project Expenditures - Capital Projects Fund	55
SS5	Combined Balance Sheet - Non-Major Funds	56
SS6	Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Funds	57
SS7	Investment in Capital Assets, Net of Related Debt	58

**SINGLE AUDIT REPORTS**

SS8	Schedule of Expenditures of Federal Awards	59-60
	Notes to Schedule of Expenditures of Federal Awards	61
	Schedule of Findings and Questioned Costs	62
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	63-64
	Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Compliance in Accordance with OMB Circular A-133	65-66
	Report on Agreed-Upon Procedures	67-68

# VIEIRA & ASSOCIATES

## CPAs, P.C.

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### Independent Auditors' Report

President and Members of the  
Board of Education  
Binghamton City School District  
Binghamton, New York

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Binghamton City School District, as of, and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Binghamton City School District's basic financial statements as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

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

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

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

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the

respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Binghamton City School District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

## **Other Matters**

### **Required supplementary information**

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 6 through 20 and 32 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Binghamton City School District's financial statements. The Schedules of Funding Progress- other post employments benefit plan, change from adopted budget to final budget and the real property tax limit, project expenditures-capital projects funds, combined balance sheet-non-major governmental funds, combined statement of revenues, expenditures and changes in fund balances-non-major governmental funds and the Schedule of Expenditures of Federal Awards, required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedules of Funding Progress-other post employments benefit plan, change from adopted budget to final budget and the real property tax limit, project expenditures-capital projects funds, combined balance sheet-non-major governmental funds, combined statement of revenues, expenditures and changes in fund balances-non-major governmental and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Funding Progress-other post employments benefit plan, change from adopted budget to final budget and the real property tax limit, project expenditures-capital projects funds, combined balance sheet-non-major governmental funds, combined statement of revenues, expenditures and changes in fund balances-non-major governmental and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014 on our consideration of Binghamton City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Vieira & Associates, CPAs, P.C.*

October 1, 2014  
Endicott, New York

**BINGHAMTON CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2014. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

#### FINANCIAL HIGHLIGHTS

- During 2009, the School District adopted Governmental Accounting Standards Board (GASB) Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." This statement required the School District to report a total liability of \$57,691,873 in 2013-2014.
- Capital asset equipment additions during 2013-2014 amounted to \$714,028. The District used \$186,001 to purchase Technology Equipment, \$104,407 for Maintenance and Operations Equipment, \$333,905 for Cafeteria Equipment, \$8,063 for Fireproof Safes required for State Testing and the remaining \$81,652 on Miscellaneous Equipment.
- The indebtedness of the School District at June 30, 2014, in the amount of \$168,351,005 increased \$27,003,880 from \$141,347,125 in 2012-2013 as a result of increased borrowing for the current capital project, along with increases in Other Postemployment Benefits.
- The total General Fund fund balance, including reserves, was \$15,050,933 at June 30, 2014. There were restricted fund balances of \$8,239,459, assigned fund balance of \$2,699,723, and unassigned fund balance of \$4,082,720 a total of which is below the 4% of 2014-2015 appropriations maximum limit under New York State real property tax law.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statement and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide financial statements. The Governmental Fund financial statements concentrate on the School District's most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year and a Schedule of Funding Progress related to the School District's unfunded actuarial liability for postemployment benefits.



**BINGHAMTON CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

District-wide Financial Statements

The District-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide financial statements report the School District's net assets and how they have changed. Net Position – the difference between the School District's assets and liabilities – is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its' financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of the school buildings and other facilities.

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

Governmental Fund Financial Statements

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

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, additional information following the Governmental Funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for the assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**BINGHAMTON CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Our analysis below focuses on the net assets (Figure 1) and changes in net assets (Figure 2) of the School District's governmental Activities.

*Figure 1*

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities &amp; Total School District</i>		<i>Total Dollar Change</i>
	<i>2012-2013</i>	<i>2013-2014</i>	<i>2013 - 2014</i>
<i>Current assets and other assets</i>	\$ 43,626,016	\$ 58,462,273	\$ 14,836,257
<i>Net capital assets</i>	106,266,848	116,465,607	10,198,759
<b><i>Total assets</i></b>	<b>149,892,864</b>	<b>174,927,880</b>	<b>25,035,016</b>
<i>Current liabilities</i>	43,353,678	62,108,996	18,755,318
<i>Noncurrent liabilities</i>	97,993,447	106,242,009	8,248,562
<b><i>Total liabilities</i></b>	<b>141,347,125</b>	<b>168,351,005</b>	<b>27,003,880</b>
<b><i>Deferred cash inflows</i></b>	<b>2,759,407</b>	<b>4,424,765</b>	<b>1,665,358</b>
<i>Invested in capital assets, net of debt</i>	48,002,797	56,379,032	8,376,235
<i>Restricted</i>	4,247,815	8,640,526	4,392,711
<i>Unrestricted (deficit)</i>	(46,464,280)	(62,867,448)	(16,403,168)
<b><i>Total net position</i></b>	<b>\$ 5,786,332</b>	<b>\$ 2,152,110</b>	<b>\$ (3,634,222)</b>

Current assets increased as a result of increased borrowing for the current capital projects, along with an increase in receivables.

Liabilities increased due to borrowing on the current capital projects.

**BINGHAMTON CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

Our analysis in Figure 2 considers the operations of the School District's activities.

*Figure 2*

<b>Changes in Net Position</b>	<b>Governmental Activities &amp; Total School District</b>		<b>Total Dollar Change</b>
	<b>2012-2013</b>	<b>2013-2014</b>	<b>2013 - 2014</b>
<b>REVENUES</b>			
<i>Program revenues:</i>			
<i>Charges for service</i>	\$ 755,117	\$ 871,561	\$ 116,444
<i>Operating grants and contributions</i>	13,062,840	13,256,882	194,042
<i>General revenues:</i>			
<i>Real property taxes</i>	39,434,425	40,089,930	655,505
<i>State and federal sources</i>	57,199,500	57,796,135	596,635
<i>Use of money and property</i>	626,044	869,161	243,117
<i>Other general revenues</i>	2,564,519	3,977,733	1,413,214
<b>Total revenues</b>	<b>113,642,445</b>	<b>116,861,402</b>	<b>3,218,957</b>
<b>PROGRAM EXPENSES</b>			
<i>General support</i>	11,386,316	11,195,128	(191,188)
<i>Instruction</i>	60,039,726	57,034,393	(3,005,333)
<i>Pupil transportation</i>	2,697,547	2,865,444	167,897
<i>Employee benefits</i>	36,252,501	41,421,780	5,169,279
<i>Debt service</i>	2,302,698	2,478,176	175,478
<i>School lunch program</i>	2,787,601	3,002,971	215,370
<i>Depreciation</i>	4,111,650	4,215,011	103,361
<b>Total expenses</b>	<b>119,578,039</b>	<b>122,212,903</b>	<b>2,634,864</b>
<b>CHANGE IN NET POSITION</b>	<b>(5,935,594)</b>	<b>(5,351,501)</b>	<b>584,093</b>

Total revenues for the School District's Governmental Activities increased \$3,218,957 primarily due to additional state aid and miscellaneous revenues.

The increase in expenses of \$2,634,864 is primarily due to employee benefits.

**BINGHAMTON CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

Figures 3 and 4 show the percentage of sources of revenue for 2013-2014 and 2012-2013.

Figure 3

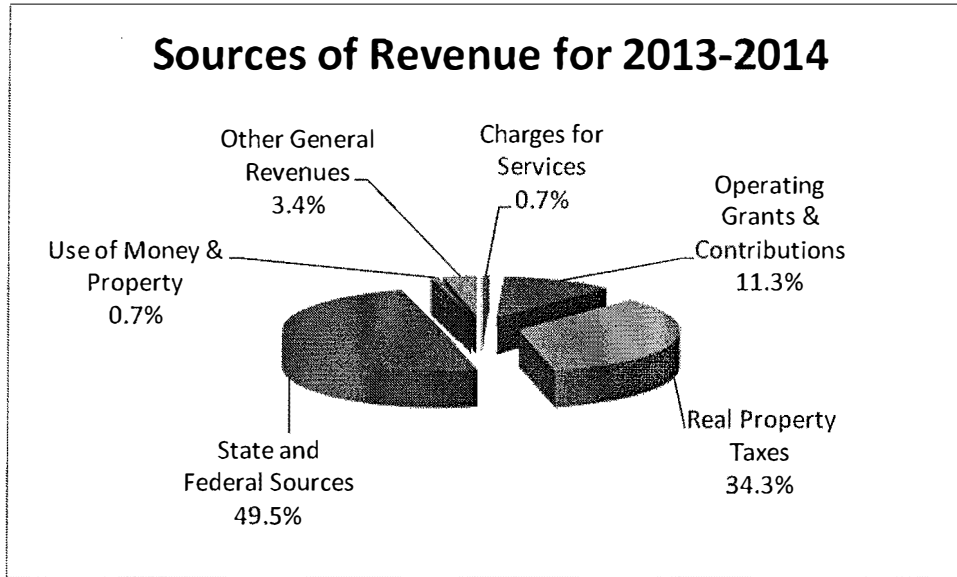
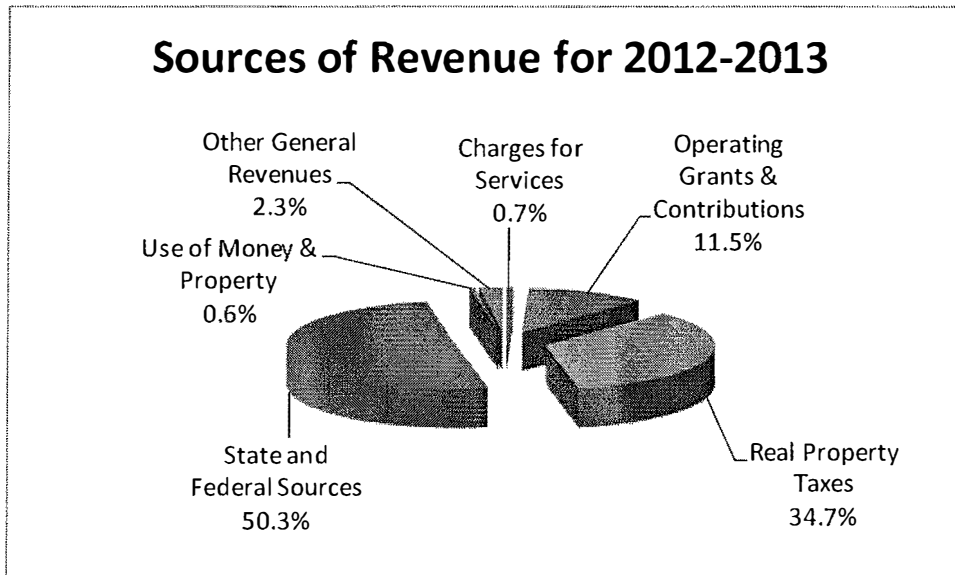


Figure 4



**BINGHAMTON CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

Figures 5 and 6 present the cost for each of the School District's programs for 2013-2014 and 2012-2013.

Figure 5

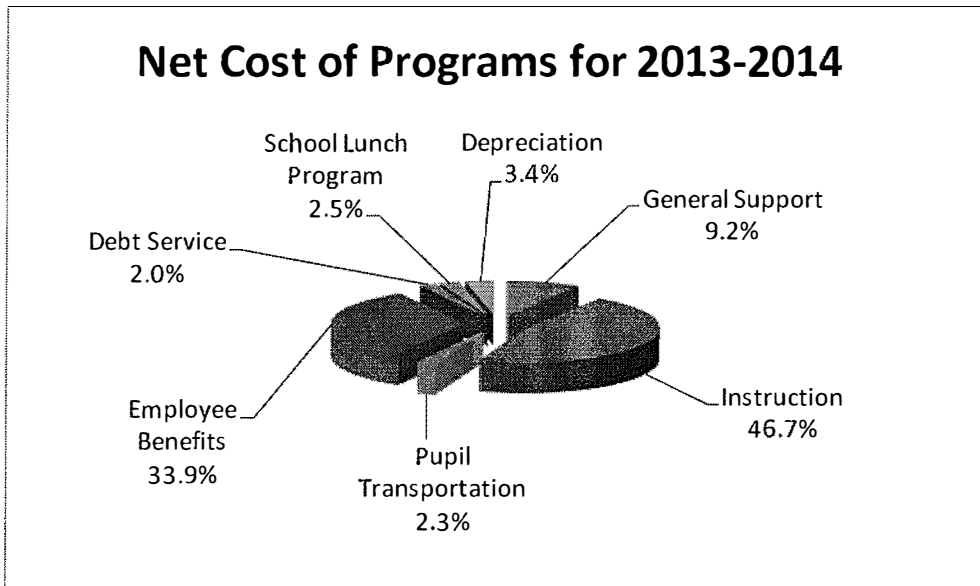
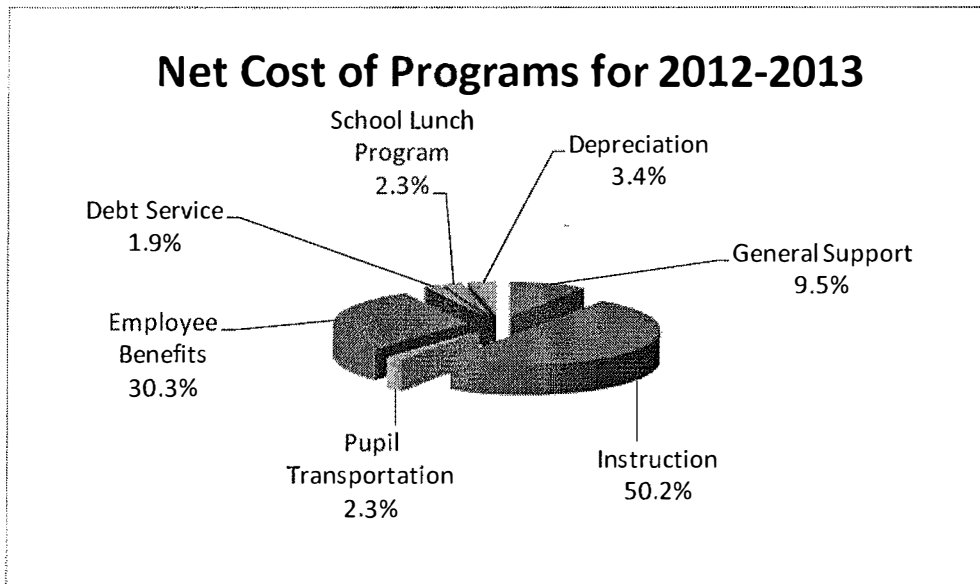


Figure 6



**BINGHAMTON CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

Figure 7 shows the changes in fund balances for the year for the School District's funds. As the School District completed the year, its governmental funds, as presented in the Balance Sheet, reported a combined fund balance of \$2,550,270 which is below last year's total fund balance of \$6,088,301. The decrease is primarily attributable to ongoing work on MacArthur Elementary School.

*Figure 7*

<b>Governmental Fund Balances</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>Total Dollar Change 2013 - 2014</b>
<i>General Fund</i>	\$ 10,239,400	\$ 15,050,933	\$ 4,811,533
<i>Special Aid</i>	0	0	0
<i>School Lunch</i>	303,946	308,148	4,202
<i>Debt Service</i>	138,825	260,906	122,081
<i>Capital project</i>	(1,537,510)	(5,112,849)	(3,575,339)
<i>Flood - MacArthur Elementary</i>	(3,056,360)	(7,956,868)	(4,900,508)
<b>Total Fund Balance</b>	<u>6,088,301</u>	<u>2,550,270</u>	<u>1,362,477</u>

**BINGHAMTON CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The difference between the original budget and the final amended budget was \$1,998,811 or 2% of total general fund expenditures and may be summarized as follows:

\$ 356,811 – Encumbrances  
900,000 – 2015 Capital Project for Facilities Upgrade  
742,000 – Increase to Interfund Capital Expense  
\$1,998,811

The District's policy for amending the original budget is as follows:

- All transfers \$5,000 and greater require prior board approval with the exception of all salary transfers; transfers under \$5,000 and salary transfers are not reported to the board.

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and variances for the year ending June 30, 2014.

*Figure 8*

<b>Condensed Budgetary Comparison General Fund - 2013-2014</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual w/ Encumbrances</b>	<b>Total Dollar Variance</b>
<b>REVENUES</b>				
<i>Real property taxes</i>	\$ 39,462,133	\$ 33,144,679	\$ 33,144,678	\$ (1)
<i>Real property tax items</i>	398,418	6,715,872	6,945,252	229,380
<i>State sources</i>	54,453,672	54,453,672	57,796,135	3,342,463
<i>All other - other financing sources</i>	3,658,404	3,658,404	5,035,329	1,376,925
<i>Total Revenues and Other Financing Sources</i>	\$ 97,972,627	\$ 97,972,627	\$ 102,921,394	\$ 4,948,767
<i>Appropriated Fund Bal. &amp; Reserves</i>	\$ 4,558,811	\$ 6,200,811	\$ 0	\$ (6,200,811)
<i>Budget Grand Total</i>	\$ 102,531,438	\$ 104,173,438	\$ 102,921,394	\$ (1,252,044)
<b>EXPENDITURES</b>				
<i>General Support</i>	11,990,340	12,090,065	11,338,523	751,542
<i>Instruction</i>	51,355,445	51,419,200	50,038,873	1,380,327
<i>Pupil transportation</i>	3,006,014	2,997,472	2,874,973	122,499
<i>Employee benefits</i>	28,207,239	28,052,301	24,675,516	3,376,785
<i>Debt service</i>	7,877,400	7,877,400	7,701,068	176,332
<i>Transfers to other funds</i>	95,000	1,737,000	1,697,763	39,237
<i>Total Expenditures, and Other Financing Uses</i>	\$ 102,531,438	\$ 104,173,438	\$ 98,326,717	\$ 5,846,722

**BINGHAMTON CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the School District had invested in a broad range of capital assets. Capital assets showed a net increase of \$10,198,759 over last year as shown in *Figure 9* below.

*Figure 9*

<b>Capital Assets (Net of Depreciation)</b>	<b>Government Activities &amp; Total School District</b>				
	<b>Beginning Balance</b>				<b>Ending Balance</b>
	<b>7/1/2013</b>	<b>Additions</b>	<b>Retirements</b>	<b>Reclassifications</b>	<b>6/30/2014</b>
<i>Land</i>	\$ 499,077	\$ 0	\$ 0	\$ 0	\$ 499,077
<i>Construction in Progress</i>	53,628,854	11,927,699	0	(44,825,266)	20,731,287
<i>Buildings</i>	47,160,634	41,770,298	0	1,671,194	90,602,126
<i>Equipment</i>	4,978,283	(422,165)	(1,955)	78,954	4,633,117
<b>Totals</b>	<b>\$ 106,266,848</b>	<b>\$ 53,275,832</b>	<b>\$ (1,955)</b>	<b>\$ (43,075,118)</b>	<b>\$ 116,465,607</b>

Capital asset activity for the year ended June 30, 2014 included the following:

Technology Equipment	\$ 186,001
Operations & Maintenance	104,407
Cafeteria Equipment	333,905
Fireproof Safes for State Testing	8,063
Miscellaneous Equipment	<u>81,652</u>
Equipment Additions	714,028
Construction Projects, net	<u>11,951,549</u>
Total Additions	\$12,665,577
Appraisal Adjustments, net	1,160,971
Retirements, net	(1,955)
Depreciation	(4,215,011)
Reclassifications, net	<u>589,177</u>
Total	\$10,198,759

The School District is currently undergoing a capital projects including a new \$71M project to replace MacArthur Elementary School.



**BINGHAMTON CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, increased \$27,003,880 in 2014, as shown in *Figure 10*. Total indebtedness represented 30% of the constitutional debt limit.

*Figure 10*

Outstanding Debt	Governmental Activities & Total School District		Total Dollar Change
	2012-2013	2013-2014	2013 - 2014
Serial Bonds	\$ 51,950,000	\$ 51,920,000	\$ (30,000)
Compensated absences	1,202,701	2,306,691	1,103,990
Other Post Employ. Benefits	44,989,922	57,691,873	12,701,951
Due to retirement systems	5,289,458	6,781,391	1,491,933
Notes Payable	28,200,000	39,000,000	10,800,000
Current Liabilities	9,715,044	10,651,050	936,006
<b>Totals</b>	<b>\$ 141,347,125</b>	<b>\$ 168,351,005</b>	<b>\$ 27,003,880</b>

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

The School District's bond rating is AAA.

**BINGHAMTON CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

1. Since 2008-2009, Binghamton City School District has been faced with a loss of Foundation Aid thru the Gap Elimination Adjustment (GEA) of more than \$21.8 million. Beginning in 2013-2014, NY State increased the net Foundation Aid/GEA allocated to Binghamton City School District. This increased again in 2014-2015; however, the District is still faced with a Gap Elimination Adjustment (a take back of aid) in 2014-2015 of \$1,143,610.
2. In 2013-2014, the District was faced with a significant emergency project for Coolidge Elementary School related to asbestos abatement. Students and staff were relocated to other locations from September to December of the school year. The cost to the District is estimated to be over \$4.8 million. The District is anticipating receiving state aid for the majority of this but the District needed to use \$742,000 of fund balance for costs that would not be covered by state aid.
3. Voters approved the proposed 2014-2015 budget in the amount of \$108.4M. The District has been able to maintain a ten year tax levy average of 3.1%, but this will be difficult to maintain and may require future programmatic cuts. The District budgeted to use \$889,000 of reserves in the 2014-2015.
4. The District continues to be subject to increasing mandated rates for state pension plans as well as increasing health insurance costs. The Teacher Retirement System (TRS) expense increased 36% in 2013-2014 and an estimated 14% for 2014-2015. The Employee Retirement System (ERS) rates have begun to level out in 2013-2014 and 2014-2015. The health insurance costs for the District increased 3.5% in 2013-2014. As the District is part of a self-funded health insurance plan, the cost of health insurance can be highly variable from year-to-year. The goal is to have each of our bargaining units contributing 12%. Three contracts have settled and all three will have membership at the 12% by end of the contract.
5. Tax certiorari claims continue to be filed by both businesses and private individuals. The District was able to fund the Tax Certiorari Reserve in 2013-2014, but potential claims well outpace the amount in the reserve.
6. The flood of 2011 resulted in an entire loss of MacArthur Elementary School, which is currently under planning to be rebuilt. While state and federal funding are projected for the replacement of MacArthur Elementary School, borrowing has and will continue to occur for cash flow purposes. The proposed schedule is to start in October 2013 with completion of project in fall of 2015.
7. Total federal Title funding and grant opportunities have been reduced. The related costs for these programs for children now must be paid for by the District's general operating fund or eliminated.
8. The Governmental Accounting Standard Board has issued Statement 45, which changed how school districts report Other Post-Employment Benefits (retiree health, dental, and vision and life insurance benefits.) Beginning with fiscal year 2008-2009, these obligations were reported as Required Supplementary Information. To date there has been no change to the guidance from the Office of the New York State Comptroller which indicates that there are no legally acceptable methods for funding this long term obligation, which would be in strict compliance with GASB 45. There is no legal authority at this time to issue bonds to address this obligation. As indicated last year, the current methodology of "pay-as-you-go" would be continued until such time that statutory or regulatory change would allow the District to consider other options.

**BINGHAMTON CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Binghamton City School District's citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office of the Binghamton City School District, 164 Hawley Street, Binghamton, New York 13901.

**BINGHAMTON CITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

<b>ASSETS</b>	<u>2014</u>
<b>Cash</b>	
Unrestricted	\$ 31,630,767
Restricted	8,396,600
<b>Receivables</b>	
Taxes	9,052,335
Due from fiduciary funds	147,607
State and Federal aid	5,560,024
Due from other governments	2,401,406
Other	1,076,391
Inventories	167,988
Deferred expenditures	29,155
Capital assets, net	<u>116,465,607</u>
Total Assets	<u>\$ 174,927,880</u>
 <b>LIABILITIES</b>	
<b>Payables</b>	
Accounts payable	\$ 7,972,724
Accrued liabilities	922,992
Due to fiduciary funds	-
Due to other governments	232,392
Retainage payable	622,236
Due to Teachers' Retirement System	6,313,905
Due to Employees' Retirement System	424,605
Compensated absences payable	191,555
<b>Notes payable</b>	
Tax anticipation	9,000,000
Revenue anticipation	10,000,000
Bond anticipation	20,000,000
<b>Unearned credits</b>	
Unearned revenues	900,706
<b>Long-term liabilities</b>	
Due and payable within one year	
Bonds payable	5,485,000
Due to Employees' Retirement System	42,881
<b>Due and payable after one year</b>	
Bonds payable	46,435,000
Compensated absences payable	2,115,136
Other postemployment benefits payable	<u>57,691,873</u>
Total Liabilities	<u>168,351,005</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unamortized bond premium	<u>4,424,765</u>
 <b>NET POSITION</b>	
Investment in capital assets, net of related debt	56,379,032
Restricted	8,640,526
Unrestricted net assets	<u>(62,867,448)</u>
Total Net Position	<u><u>\$ 2,152,110</u></u>

See independent auditors' report and notes to financial statements

**BINGHAMTON CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	Expenses	Indirect Expenses Allocation	Charges for Services	Program Revenues Operating Grants	Net (Expense) Revenue And change in Net Position 2014
<b>FUNCTIONS/PROGRAMS</b>					
General support	\$ (11,195,128)	\$ (1,034,366)	\$ -	\$ -	(12,229,494)
Instruction	(57,034,393)	(44,111,763)	599,319	9,436,759	(91,110,078)
Pupil transportation	(2,865,444)	(12,980)	-	-	(2,878,424)
Community service	-	-	-	-	-
Employee benefits	(41,421,780)	41,421,780	-	-	-
Debt service	(2,478,176)	-	-	-	(2,478,176)
Depreciation	(4,215,011)	4,215,011	-	-	-
School lunch program	(3,002,971)	(477,682)	272,242	3,820,123	611,712
Total Functions and Programs	\$ (122,212,903)	\$ -	\$ 871,561	\$ 13,256,882	\$ (108,084,460)
<b>GENERAL REVENUES</b>					
Real property taxes	\$ 33,144,678	\$ -	\$ -	\$ -	33,144,678
Other tax items	6,945,252	-	-	-	6,945,252
Use of money and property	869,161	-	-	-	869,161
Sale of property and compensation for loss	79,425	-	-	-	79,425
Miscellaneous	3,898,308	-	-	-	3,898,308
Interfund revenue	-	-	-	-	-
State sources	60,382,056	-	-	(2,716,381)	57,665,675
Federal sources	10,396,513	-	-	(10,396,513)	-
Local sources	143,988	-	-	(143,988)	-
Medicaid reimbursement	130,460	-	-	-	130,460
Total General Revenues	\$ 115,989,841	\$ -	\$ -	\$ (13,256,882)	102,732,959
Change in Net Assets					(5,351,501)
Total Net Position - Beginning of year					5,786,332
Prior Period Adjustment to capital assets due to new inventory					1,750,147
Use of Inventory Reserve					(32,868)
Total Net Position- End of Year					\$ 2,152,110

See independent auditors' report and notes to financial statements

**BINGHAMTON CITY SCHOOL DISTRICT  
BALANCE SHEETS - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	Major Funds		Total Non-Major Funds	Total Governmental Funds 2014
	General	Flood McArthur School		
<b>ASSETS</b>				
<b>Cash</b>				
Unrestricted	\$ 16,898,218	\$ 14,234,932	\$ 497,617	\$ 31,630,767
Restricted	8,396,600	-	-	8,396,600
<b>Receivables</b>				
Taxes	9,052,335	-	-	9,052,335
Due from other funds	3,201,114	-	17,269	3,218,383
Due from fiduciary funds	147,607	-	-	147,607
State and Federal aid	1,590,904	-	3,969,120	5,560,024
Due from other governments	2,401,406	-	-	2,401,406
Other	1,066,285	-	10,106	1,076,391
Inventories	-	-	167,988	167,988
Deferred expenditures	29,031	-	124	29,155
<b>Total Assets</b>	<b>\$ 42,783,500</b>	<b>\$ 14,234,932</b>	<b>\$ 4,662,224</b>	<b>\$ 61,680,656</b>

<b>LIABILITIES</b>				
<b>Payables</b>				
Accounts payable	\$ 1,277,621	\$ 1,848,817	\$ 4,846,286	\$ 7,972,724
Accrued liabilities	236,043	-	17,837	253,880
Due to other funds	7,453	303,023	2,907,907	3,218,383
Due to fiduciary funds	-	-	-	-
Due to other governments	232,246	-	146	232,392
Retainage payable	-	39,960	582,276	622,236
Due to Teachers' Retirement System	6,313,905	-	-	6,313,905
Due to Employees' Retirement System	424,605	-	-	424,605
Compensated absences	191,555	-	-	191,555
<b>Notes payable</b>				
Tax anticipation	9,000,000	-	-	9,000,000
Revenue anticipation	10,000,000	-	-	10,000,000
Bond Anticipation	-	20,000,000	-	20,000,000
<b>Unearned Revenues</b>				
Unearned revenues	49,139	-	851,567	900,706
<b>Total Liabilities</b>	<b>27,732,567</b>	<b>22,191,800</b>	<b>9,206,019</b>	<b>59,130,386</b>

<b>FUND BALANCES</b>				
Non-spendable	29,031	-	167,987	197,018
Restricted	8,239,459	-	401,067	8,640,526
Assigned	2,699,723	12,470,631	55,283	15,225,637
Unassigned	4,082,720	(20,427,499)	(5,168,132)	(21,512,911)
<b>Total Fund Balances</b>	<b>15,050,933</b>	<b>(7,956,868)</b>	<b>(4,543,795)</b>	<b>2,550,270</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 42,783,500</b>	<b>\$ 14,234,932</b>	<b>\$ 4,662,224</b>	<b>\$ 61,680,656</b>

**Amounts reported for governmental activities in the statement of net assets are different because:**

Total governmental fund balances	\$ 2,550,270
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	116,465,607
Long-term liabilities, including bonds payable, compensated absences and post-employment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(116,863,767)
Net Position of Governmental Activities	\$ 2,152,110

**BINGHAMTON CITY SCHOOL DISTRICT  
STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Major Funds		Total Non-Major Funds	Total Governmental Funds 2014
	General	Flood McArthur School		
<b>REVENUES</b>				
Real property taxes	\$ 33,144,678	-	-	\$ 33,144,678
Other tax items	6,945,252	-	-	6,945,252
Nonproperty taxes	-	-	-	-
Charges for services	599,319	-	-	599,319
Use of money and property	509,077	-	10,107	519,184
Sale of property and compensation for loss	81,380	-	-	81,380
Miscellaneous	3,845,553	-	2,154,970	6,000,523
State sources	57,665,675	-	2,716,381	60,382,056
Medicaid reimbursement	130,460	-	-	130,460
Federal sources	-	-	10,176,257	10,176,257
Local sources	-	-	143,988	143,988
Surplus food	-	-	220,256	220,256
Sales - school lunch	-	-	272,242	272,242
<b>Total Revenues</b>	<b>102,921,394</b>	<b>-</b>	<b>15,694,201</b>	<b>118,615,595</b>
<b>EXPENDITURES</b>				
General support	11,160,013	-	205,482	11,365,495
Instruction	49,977,189	-	7,311,924	57,289,113
Pupil transportation	2,865,444	-	-	2,865,444
Community service	-	-	-	-
Employee benefits	24,675,516	-	2,980,661	27,656,177
<b>Debt service</b>				
Principal	5,200,000	-	1,809,853	7,009,853
Interest	2,501,068	-	-	2,501,068
Cost of sales	-	-	3,315,761	3,315,761
Capital outlay	-	6,542,508	5,385,191	11,927,699
<b>Total Expenditures</b>	<b>96,379,230</b>	<b>6,542,508</b>	<b>21,008,872</b>	<b>123,930,610</b>
Excess (Deficiency) of Revenues Over Expenditures	6,542,164	(6,542,508)	(5,314,671)	(5,315,015)
<b>OTHER FINANCING SOURCES AND USES</b>				
Proceeds from debt	-	-	1,809,853	1,809,853
Operating transfers in	-	1,642,000	55,763	1,697,763
Operating transfers (out)	(1,697,763)	-	-	(1,697,763)
<b>Total Other Sources (Uses)</b>	<b>(1,697,763)</b>	<b>1,642,000</b>	<b>1,865,616</b>	<b>1,809,853</b>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	4,844,401	(4,900,508)	(3,449,055)	(3,505,162)
Fund Balances - Beginning of year	10,239,400	(3,056,360)	(1,094,740)	6,088,300
Reduction in reserve for inventory	(32,868)	-	-	(32,868)
<b>Fund Balances - End of Year</b>	<b>\$ 15,050,933</b>	<b>\$ (7,956,868)</b>	<b>\$ (4,543,795)</b>	<b>\$ 2,550,270</b>

See independent auditors' report and notes to financial statements

**BINGHAMTON CITY SCHOOL DISTRICT  
STATEMENTS OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2014**

	Private Purpose Trusts 2014	Agency 2014
<b>ASSETS</b>		
Cash	\$ -	\$ 148,047
Restricted cash	852,777	177,777
Due from other funds		-
	852,777	\$ 325,824
<b>LIABILITIES</b>		
Accounts payable	-	\$ -
Due to other funds	-	147,607
Extraclassroom activity balances	-	177,777
Other liabilities	-	440
	-	\$ 325,824
<b>NET POSITION</b>		
Reserved for scholarships	\$ 852,777	

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Private Purpose Trusts 2014
<b>ADDITIONS</b>	
Gifts and contributions	\$ 54,824
Investment earnings	732
	55,556
<b>DEDUCTIONS</b>	
Scholarships and awards	60,985
Change in Net Assets	(5,429)
Net position - Beginning of year	858,206
Net position - End of Year	\$ 852,777

See independent auditors' report and notes to financial statements



**BINGHAMTON CITY SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
<b>ASSETS</b>				
<b>Cash</b>				
Unrestricted	\$ 31,630,767	\$ -	\$ -	\$ 31,630,767
Restricted investments	8,396,600	-	-	8,396,600
<b>Receivables</b>				
Taxes	9,052,335	-	-	9,052,335
Due from other funds	3,218,383	-	(3,218,383)	-
Due from fiduciary funds	147,607	-	-	147,607
State and Federal aid	5,560,024	-	-	5,560,024
Due from other governments	2,401,406	-	-	2,401,406
Other	1,076,391	-	-	1,076,391
Inventories	167,988	-	-	167,988
Deferred expenditures	29,155	-	-	29,155
Capital assets, net of depreciation	-	116,465,607	-	116,465,607
<b>Total Assets</b>	<b>\$ 61,680,656</b>	<b>\$ 116,465,607</b>	<b>\$ (3,218,383)</b>	<b>\$ 174,927,880</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Accounts payable	\$ 7,972,724	\$ -	\$ -	\$ 7,972,724
Accrued liabilities	253,880	669,112	-	922,992
Due to other funds	3,218,383	-	(3,218,383)	-
Due to fiduciary funds	-	-	-	-
Due to other governments	232,392	-	-	232,392
Retainage payable	622,236	-	-	622,236
Due to Teachers' Retirement System	6,313,905	-	-	6,313,905
Due to Employees' Retirement System	424,605	-	-	424,605
Compensated absences payable	191,555	-	-	191,555
<b>Notes payable</b>				
Tax anticipation	9,000,000	-	-	9,000,000
Revenue anticipation	10,000,000	-	-	10,000,000
Bond anticipation	20,000,000	-	-	20,000,000
<b>Unearned credits</b>				
Unearned revenues	900,706	-	-	900,706
Bonds payable	-	51,920,000	-	51,920,000
Due to Employees' Retirement System	-	42,881	-	42,881
Compensated absences payable	-	2,115,136	-	2,115,136
Other postemployment benefits payable	-	57,691,873	-	57,691,873
<b>Total Liabilities</b>	<b>59,130,386</b>	<b>112,439,002</b>	<b>(3,218,383)</b>	<b>168,351,005</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unamortized bond premium	-	4,424,765	-	4,424,765
<b>FUND EQUITY\NET POSITION</b>				
Investment in capital assets, net of related debt	-	64,545,607	-	64,545,607
Non-spendable	197,018	-	-	197,018
Restricted	8,640,526	-	-	8,640,526
Assigned	15,225,637	-	-	15,225,637
Unassigned	(21,512,911)	(64,943,767)	-	(86,456,678)
<b>Total Net Position</b>	<b>\$ 2,550,270</b>	<b>\$ (398,160)</b>	<b>\$ -</b>	<b>\$ 2,152,110</b>

See independent auditors' report and notes to financial statements

**BINGHAMTON CITY SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND EQUITY TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
<b>REVENUES</b>					
Real property taxes	\$ 33,144,678	\$ -	\$ -	\$ -	\$ 33,144,678
Other tax items	6,945,252	-	-	-	6,945,252
Charges for services	599,319	-	-	-	599,319
Use of money and property	519,184	349,977	-	-	869,161
Sale of property and compensation for loss	81,380	-	(1,955)	-	79,425
Miscellaneous	6,000,523	(2,102,215)	-	-	3,898,308
State sources	60,382,056	-	-	-	60,382,056
Medicaid reimbursement	130,460	-	-	-	130,460
Federal sources	10,176,257	-	-	-	10,176,257
Local sources	143,988	-	-	-	143,988
Surplus food	220,256	-	-	-	220,256
Sales - school lunch	272,242	-	-	-	272,242
<b>Total Revenues</b>	<b>118,615,595</b>	<b>(1,752,238)</b>	<b>(1,955)</b>	<b>-</b>	<b>116,861,402</b>
<b>EXPENDITURES\EXPENSES</b>					
General support	11,365,495	-	(170,367)	-	11,195,128
Instruction	57,289,113	-	(254,720)	-	57,034,393
Pupil transportation	2,865,444	-	-	-	2,865,444
Community service	-	-	-	-	-
Employee benefits	27,656,177	13,765,603	-	-	41,421,780
<b>Debt service</b>					
Principal	7,009,853	-	-	(7,009,853)	-
Interest	2,501,068	-	-	(22,892)	2,478,176
Cost of sales	3,315,761	-	(312,790)	-	3,002,971
Depreciation	-	-	4,215,011	-	4,215,011
Capital outlay	11,927,699	-	(11,927,699)	-	-
<b>Total Expenditures</b>	<b>123,930,610</b>	<b>13,765,603</b>	<b>(8,450,565)</b>	<b>(7,032,745)</b>	<b>122,212,903</b>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,315,015)</u>	<u>(15,517,841)</u>	<u>8,448,610</u>	<u>7,032,745</u>	<u>(5,351,501)</u>
<b>OTHER SOURCES AND USES</b>					
Proceeds from debt	1,809,853	-	-	(1,809,853)	-
Operating transfers in	1,697,763	-	-	-	1,697,763
Operating transfers (out)	(1,697,763)	-	-	-	(1,697,763)
<b>Total Other Sources (Uses)</b>	<b>1,809,853</b>	<b>-</b>	<b>-</b>	<b>(1,809,853)</b>	<b>-</b>
<b>Net Change for the Year</b>	<b>\$ (3,505,162)</b>	<b>\$ (15,517,841)</b>	<b>\$ 8,448,610</b>	<b>\$ 5,222,892</b>	<b>\$ (5,351,501)</b>

See independent auditors' report and notes to financial statements

## BINGHAMTON CITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Binghamton City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principals are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are described below:

#### **A) Reporting entity:**

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

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

The accompanying financial statements present the activities of the District and its component unit. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the applications of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

#### **i) The Extraclassroom Activity Funds**

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions, and the designation of student management. Separate audited general purpose financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

See independent auditors' report

## BINGHAMTON CITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **B) Joint venture:**

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

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

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

During the year, the District was billed \$12,828,241 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$5,092,439. Financial statements for the BOCES are available from the BOCES administrative office.

##### **C) Basis of presentation:**

###### **i) District-wide statements:**

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

See independent auditors' report

## BINGHAMTON CITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### C) Basis of presentation (continued):

###### i) District-wide statements (continued):

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

###### ii) Fund financial statements:

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

##### The District reports the following major governmental funds:

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

**Capital Projects Funds:** These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

All remaining governmental funds are aggregated and reported as non-major funds.

See independent auditors' report

# BINGHAMTON CITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### The District reports the following fiduciary funds:

**Fiduciary Funds:** Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

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

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

#### D) Measurement focus and basis of accounting:

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

The fund statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety (90) days after the end of the fiscal year.

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

#### E) Property taxes:

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1, 2013 through March 31, 2014.

See independent auditors' report

# BINGHAMTON CITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **E) Property taxes (Continued):**

The City and County in which the District is located enforce real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the City. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, unearned revenues offset real property taxes receivable.

#### **F) Restricted Resources:**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

#### **G) Interfund transactions:**

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

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

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

#### **H) Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

See independent auditors' report

# BINGHAMTON CITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **I) Cash and investments:**

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts. Investments are stated at fair value.

#### **J) Accounts receivable:**

An allowance for uncollectible accounts has been provided for certain amounts that may not be collectible.

#### **K) Inventories and prepaid items:**

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A reserve for those non-liquid assets (inventory and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

#### **L) Other assets/restricted assets:**

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements these same costs are netted against bond proceeds and recognized in the period of issuance.

See independent auditors' report



**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M) Capital assets:**

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2002, for assets acquired prior to June 30, 2002, estimated historical costs, based on appraisals conducted by independent third party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,000	SL	40
Building improvements	\$ 1,000	SL	25
Site improvements	\$ 1,000	SL	25
Furniture and equipment	\$ 1,000	SL	5-15

**N) Unearned revenues:**

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Many unearned revenues recorded in governmental funds are not recorded in the District-wide statements.

**O) Vested employee benefits:**

**Compensated absences**

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time:

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

See independent auditors' report

# BINGHAMTON CITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O) **Vested employee benefits (Continued):**

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

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

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

#### P) **Other benefits:**

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

#### Q) **Short-term debt:**

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

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q) Short-term debt (Continued):**

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

**R) Accrued liabilities and long-term obligations:**

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

Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

**S) Equity classifications:**

**District-wide statements**

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

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

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

**Unrestricted net position** – the balance of net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S) Equity classifications (Continued):**

**District-wide statements (Continued)**

**Funds statements:**

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

**Non-spendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form; legally or contractually required to be maintained intact. Non-spendable fund balance includes deferred expenditures of \$29,031 in the General Fund and the inventories recorded in the School Lunch Fund of \$167,980.

**Restricted** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

**Capital**

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

**Employee Benefit Accrued Liability**

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

**Retirement Contributions**

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

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S) Equity classifications (Continued):**

**District-wide statements (Continued)**

**Tax Certiorari**

According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

**Unemployment Insurance**

Restricted balance includes the following:

**General Fund:**

Capital	\$ 8,690
Employee Benefit Accrued Liability	246,820
Retirement Contributions	6,694,198
Tax Certiorari	789,728
Unemployment Insurance Reserve	<u>500,023</u>
	8,239,459
• School Lunch	140,161
• Debt Service	<u>260,906</u>
Total restricted funds	<u>\$ 8,640,526</u>

\*includes remaining fund balance in these funds not otherwise classified as nonspendable, committed or assigned.

**Committed** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by form action of the school districts highest level of decision making authority, i.e., the Board of education. The School Board has no committed fund balances as of June 30, 2014.

**Assigned** – Includes amounts that can only be used by the school district’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$249,723.

See independent auditors’ report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S) Equity classifications (Continued):**

**District-wide statements (Continued)**

**Unassigned** - Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

NYS Real Property Law 1318 limits the amount of unexpected surplus funds a school district can retain to no more than 4% of the School District's budget for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

**Order of use of Fund Balance**

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

**T) New Accounting Standards**

The District has adopted all current statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2014, the District implemented the following new standards issued by GASB:

GASB has issued Statement 65, *Items Previously Reported as Assets and Liabilities*, effective for the year ending June 30, 2014.

GASB has issued Statement 66, *GASB Technical Corrections-2012-an Amendment of Statements 10 and 62*, effective for the year ending June 30, 2014.

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U) Future Changes in Accounting Standards**

GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27*, effective for the year ending June 15, 2015.

GASB has issued Statement 69, *Government Combinations and Disposals of Government Operations*, Effective for the year ending June 30, 2015.

GASB has issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for year ending June 30, 2015.

GASB has issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, effective for the year ending June 30, 2015.

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

**NOTE 2: EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS:**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

**Total fund balances of governmental funds vs. net assets of governmental activities:**

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

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (CONTINUED):**

**Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities:**

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

**A) Long-term revenue differences:**

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

**B) Capital related differences:**

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

**C) Long-term debt transaction differences:**

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

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

The District administration prepares a budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

General Fund

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

See independent auditors' report



**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED):**

**Budgets (Continued)**

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

Carryover Encumbrances	\$ 356,811
Capital Funds	\$ 1,642,000

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**Encumbrances**

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

The Capital Projects had a deficit balance of \$13,069,716. This will be funded when the District obtains permanent financing for its current construction project.

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4: CASH (AND CASH EQUIVALENTS)-CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS:**

**Cash**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

A) Uncollateralized	\$	-
B) Collateralized with securities held by the pledging financial institution, or trust department or agent, but not in the District's name.	\$	37,278,364

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$8,396,600 within the governmental funds and \$1,030,554 in the fiduciary funds.

**NOTE 5: RECEIVABLES**

Receivables at year-end for individual major funds and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

Description	Governmental Activities			
	General	Capital	Non-Major	Total
Taxes	\$ 9,052,335	\$ -	\$ -	\$ 9,052,335
Accounts receivable	1,066,285	-	-	1,066,285
Due from State and Federal	1,590,904	-	3,969,120	5,560,024
Due from other governments	<u>2,401,406</u>	<u>-</u>	<u>-</u>	<u>2,401,406</u>
Total	<u>\$ 14,110,930</u>	<u>\$ -</u>	<u>\$ 3,969,120</u>	<u>\$ 18,080,050</u>

The District deems all receivables to be collectible.

**NOTE 6: CAPITAL ASSETS**

Capital asset balances and activities for the year ended June 30, 2014 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Adjustments	Ending Balance
<b>Governmental Activities:</b>					
<b>Capital assets that are not depreciated</b>					
Land	\$ 499,077	\$ -	\$ -	\$ -	\$ 499,077
Construction in progress	<u>53,628,854</u>	<u>11,927,699</u>	<u>(44,825,266)</u>	<u>-</u>	<u>20,731,287</u>
Total non-depreciable historical cost	<u>54,127,931</u>	<u>11,927,699</u>	<u>(44,825,266)</u>	<u>-</u>	<u>21,230,364</u>

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: CAPITAL ASSETS (CONTINUED)**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Adjustments</b>	<b>Ending Balance</b>
<b>Capital assets that are depreciated:</b>					
Buildings	\$ 117,054,683	\$ 44,849,116	\$ -	\$ 3,818,224	\$ 165,722,023
Furniture and equipment	<u>17,699,391</u>	<u>714,028</u>	<u>(25,511)</u>	<u>(3,381,441)</u>	<u>15,006,467</u>
Total depreciable historical cost	<u>134,754,074</u>	<u>45,563,144</u>	<u>(25,511)</u>	<u>436,783</u>	<u>180,728,490</u>
<b>Less accumulated depreciation:</b>					
Buildings	69,894,049	3,078,818	-	2,147,030	75,119,897
Furniture and equipment	<u>12,721,108</u>	<u>1,136,193</u>	<u>(23,556)</u>	<u>(3,460,395)</u>	<u>10,373,350</u>
Total accumulated Depreciation	<u>82,615,157</u>	<u>4,215,011</u>	<u>(23,556)</u>	<u>(1,313,365)</u>	<u>85,493,247</u>
Total depreciable historical cost, net	<u>52,138,917</u>	<u>41,348,133</u>	<u>(1,955)</u>	<u>1,750,148</u>	<u>95,235,243</u>
Total capital assets	<u>\$ 106,266,848</u>	<u>\$ 53,275,832</u>	<u>\$ (44,827,221)</u>	<u>\$ 1,750,148</u>	<u>\$ 116,465,607</u>
<b>Depreciation expense was charged to Governmental functions:</b>					
General Support		\$ 296,248			
Instruction		3,846,453			
Cost of Goods Sold		71,670			
Pupil Transportation		<u>640</u>			
		<u>\$ 4,215,011</u>			

**NOTE 7: SHORT-TERM DEBT:**

**Transactions in short-term debt for the year are summarized below:**

	<b>Beginning Balance</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Ending Balance</b>
Ban Maturing July 25, 2013 @ 1%	\$ 16,000,000	\$ -	\$ 16,000,000	\$ -
Ran Maturing January 24, 2014 @ 1%	7,200,000	-	7,200,000	-
Tan Maturing January 24, 2014 @ .44%	5,000,000	-	5,000,000	-
Tan Maturing January 27, 2015 @ 1.00%	-	9,000,000	-	9,000,000
Ran Maturing July 23, 2014 @ 1.00%	-	10,000,000	-	10,000,000
Ban Maturing November 21, 2014 @ 1.00%	-	20,000,000	-	20,000,000
	<u>\$ 28,200,000</u>	<u>\$ 39,000,000</u>	<u>\$ 28,200,000</u>	<u>\$ 39,000,000</u>

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

Interest paid	\$ 244,833
Plus interest accrued at June 30, 2014	165,863
Less interest accrued at June 30, 2013	<u>(180,011)</u>
	<u>\$ 230,685</u>

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8: LONG-TERM DEBT:**

Long-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance</u>		<u>Issued</u>		<u>Redeemed/ Adjusted</u>		<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Government activities:</b>								
<b>Bonds and note payable:</b>								
<b>General obligation debt:</b>								
Refunding Series B	\$ 1,680,000	\$	-	\$	535,000	\$	1,145,000	\$ 560,000
Long Range Projects II	1,785,000		-		1,035,000		750,000	750,000
School Improvement	3,915,000		20,000		70,000		3,865,000	350,000
Excel Project	10,565,000		-		670,000		9,895,000	695,000
Excel Project	17,845,000		-		1,225,000		16,620,000	1,270,000
QSCB	4,675,000		-		325,000		4,350,000	325,000
Long Range	4,190,000		-		795,000		3,395,000	815,000
Excel	12,445,000		-		545,000		11,900,000	720,000
Subtotal bonds & notes payable	<u>57,100,000</u>		<u>20,000</u>		<u>5,200,000</u>		<u>51,920,000</u>	<u>5,485,000</u>
<b>Other liabilities</b>								
Employees Retirement System	83,721		-		40,840		42,881	42,881
Compensated absences	1,010,644		1,104,492		-		2,115,136	-
Other post employment benefits	44,989,922		12,701,951		-		57,691,873	-
Total other liabilities	<u>46,084,287</u>		<u>13,806,443</u>		<u>40,840</u>		<u>59,849,840</u>	<u>42,881</u>
Total long-term liabilities	<u>\$ 103,184,287</u>		<u>\$ 13,826,443</u>		<u>\$ 5,240,840</u>		<u>\$ 111,769,840</u>	<u>\$ 5,527,881</u>

The general fund has typically been used to liquidate long-term liabilities such as compensated absences.

**Existing serial and statutory bond obligations:**

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Refunding Series B	2002	2016	2.0%-4.6%	\$ 1,145,000
Long Range Projects II	2014	2015	3.625%	750,000
School Improvements	2014	2018	1.000-4.00%	3,865,000
Excel Project	2013	2026	3.0%-4.0%	16,620,000
Excel Project	2012	2025	2.0%-5.0%	9,895,000
QSCB	2012	2026	1.35%-4.42%	4,350,000
Capital Improvement Refunding of 2004 Series Bonds	2013	2027	2.0%-5.0%	11,900,000
	2013	2018	2.0%-3.0%	3,395,000

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8: LONG-TERM DEBT (CONTINUED):**

The following is a summary of the debt service requirements:

	<b>Serial Bonds</b>		<b>Liability to Employees Retirement System</b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
Fiscal year ended:				
June 30, 2015	\$ 5,485,000	\$ 2,119,290	\$ 42,881	\$ 2,144
2016	5,655,000	1,934,159	-	-
2017	5,275,000	1,726,161	-	-
2018	5,460,000	1,530,711	-	-
2019	3,495,000	1,351,661	-	-
2020-2024	19,945,000	4,164,738	-	-
2025-2027	<u>6,605,000</u>	<u>466,060</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 51,920,000</u>	<u>\$ 13,292,780</u>	<u>\$ 42,881</u>	<u>\$ 2,144</u>

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$4,015,000 of bonds outstanding are considered defeased.

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

Interest paid	\$ 2,256,235
Plus accrued interest June 30, 2014	503,249
Less interest accrued June 30, 2013	<u>(511,993)</u>
	<u>\$ 2,247,491</u>

**NOTE 9: PENSION PLANS**

**General Information**

The District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of services and final average salary, vesting of retirement benefits, death and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9: PENSION PLANS (CONTINUED):**

**General Information (Continued)**

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The System issued a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

**Funding Policies**

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2013 - 2014	\$ 4,732,053	\$ 1,655,262
2012 - 2013	\$ 4,536,496	\$ 1,849,433
2011 - 2012	\$ 3,792,021	\$ 1,293,702

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts, relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The District exercised that option. There was no unpaid liability at the end of the year.

**NOTE 10: INTERFUND BALANCES AND ACTIVITY:**

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 3,348,721	\$ 7,453	\$ -	\$ 1,697,763
Special Aid Funds	-	2,627,294	43,794	-
School Lunch Fund	7,453	280,613	11,969	-
Capital Funds	-	303,023	1,642,000	-
Debt Service	<u>9,816</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total government activities	<u>3,365,990</u>	<u>3,218,383</u>	<u>1,697,763</u>	<u>1,697,763</u>

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10: INTERFUND BALANCES AND ACTIVITY (CONTINUED):**

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
Total government activities	\$ 3,365,990	\$ 3,218,383	\$ 1,697,763	\$ 1,697,763
<b>Fiduciary Fund</b>				
Agency Trust Fund	-	147,607	-	-
Totals	\$ 3,365,990	\$ 3,365,990	\$ 1,697,763	\$ 1,697,763

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

**NOTE 11: POST-EMPLOYMENT BENEFITS**

The District provides post employment health insurance (life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts.

Currently, approximately 484 of the retired employees have elected to use accumulated sick pay to finance health insurance payments under the District's group plans. This plan pays for the retiree's share of the cost of premiums until the accumulated sick pay amount is exhausted, at which time 50% of the premium for individual coverage or 60% of the premium for family coverage become the responsibility of the retiree.

The District has obtained an actuarial valuation report as of July 1, 2014 which indicates that the present value of total future liability for other post employment benefits is \$223,298,747.

**Plan Description:** The District provides a Self-Insured Minimum Premium Excellus BC/BS traditional Indemnity Plan and Blue PPO H Plan to eligible retirees and dependents.

**Funding Policy:** The contribution requirements of Plan members and the District are established by the Board of Education. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as may be determined annually by the Board. For fiscal year 2014, the estimated District contribution to the plan was \$2,312,436, including \$2,312,436 for current premiums (approximately 51 percent of total premiums) and an additional \$0 to prefund benefits. Plan members receiving benefits contributed \$2,214,879, or approximately 49 percent of the total premiums, through their required contribution of between \$200.91 and \$305.81 per month for retiree-only coverage and \$753.95 to \$963.75 for retiree and spouse coverage for the PPO Plan. Rates were between \$222.12 and \$327.12 for retiree coverage only and \$802.11 and \$1,686.52 for retiree and spouse or family coverage under Classic Blue Plan.

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11: POST-EMPLOYMENT BENEFITS (CONTINUED):**

**Annual OPEB Cost and Net OPEB Obligation:** The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to HP:

Annual required contribution	\$ 16,010,748
Interest on net OPEB obligation	1,799,597
Adjustment to annual required contribution	<u>(2,769,128)</u>
Annual OPEB cost (expense)	15,041,217
Contributions made	<u>(2,339,266)</u>
Increase in net OPEB obligation	12,701,951
Net OPEB obligation—beginning of year	<u>44,989,922</u>
 Net OPEB obligation—end of year	 <u>\$ 57,691,873</u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$ 15,041,217	15.6%	\$ 57,691,873
6/30/13	\$ 14,245,628	15.3%	\$ 44,989,922
6/30/12	\$ 11,131,505	19.3%	\$ 32,926,348

**Funded Status and Funding Progress.** As of July 1, 2012 the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$133,716,557, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$133,716,557. The covered payroll (annual payroll of active employees covered by the plan) was \$42,293,819, and the ratio of the UAAL to the covered payroll was 316%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

See independent auditors’ report



## BINGHAMTON CITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 11: POST-EMPLOYMENT BENEFITS (CONTINUED):

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the Projected Unit Credit method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 11% initially, reduced by decrements to an ultimate rate of 5% after 13 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2014, was 25 years.

#### NOTE 12: RISK MANAGEMENT

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

The District has chosen to establish a self-funded health benefit program for its employees.

The Binghamton City School District incurs costs related to a self-insured health and dental plan (Plan) sponsored by Binghamton City School District. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Plan members are not subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, the District would be responsible for the Plan's liabilities.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2014, the district recognized \$2,312,436 for its share of insurance premiums for 484 currently enrolled retirees.

The Plan uses a Stop Loss agreement to reduce its exposure to large losses on insured events. Stop Loss permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured. The District does not calculate the liability for reported and unreported insured events because actual claims costs depends on complex factors and the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but no reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Claims activity is summarized below:

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12: RISK MANAGEMENT (CONTINUED):**

	<b>Current Year Balance at Beginning of Year</b>	<b>Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at End of Year</b>
Claims reported for the fiscal years ended June 30:				
2011	\$ 1,049,325	\$ 17,800,493	\$ 17,489,500	\$ 1,360,318
2012	\$ 1,360,318	\$ 18,422,801	\$ 18,163,396	\$ 1,619,723
2013	\$ 1,619,723	\$ 17,371,637	\$ 18,089,214	\$ 902,146

**NOTE 13: FUND BALANCES**

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the Governmental Funds Balance Sheet.

**NOTE 14: CONTINGENCIES AND COMMITMENTS**

**1. Federal Grants**

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

**2. Compensated Absences**

The District does not accrue a liability for accumulating nonvesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, nonvesting sick leave is considered a contingent liability. Nonvesting sick leave at June 30, 2014 was estimated to be \$18,376,511.

**3. Judgments and Claims**

**A. Tax Certiorari Claims**

In a prior year there was a county-wide revaluation of all property assessments. As a result, numerous claims have been filed requesting assessment reductions. The District is not formally a party to these tax certiorari cases, but does receive notice and has a right to intervene in them. Cases that are pending for the current year and prior years, amount to \$2,909,142 at maximum potential refund, however, estimates of possible tax reductions cannot be calculated at this time, and therefore are not reflected in the financial statements.

See independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 14: CONTINGENCIES AND COMMITMENTS (CONTINUED):**

**3. Judgments and Claims (Continued)**

**B. Lawsuits and Pending Claims**

The District is involved in several lawsuits regarding physical injuries. The District estimates that its exposure is minimal and that the insurance coverage is adequate to cover the claims. The District is also involved in one other matter with threat of a lawsuit exposure is expected to be within the limits of the insurance coverage.

**NOTE 15: DONOR-RESTRICTED ENDOWMENTS**

The District administers endowment funds, which are restricted by the donor for the purposes of scholarships.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

**NOTE 16: SUBSEQUENT EVENTS**

In September, 2011, the School District sustained major damage to one of its Elementary School buildings due to flooding caused by Tropical Storm Lee. At this time, the District has contracted with the Catholic Schools to lease two unoccupied buildings. The estimates of damages to the school resulting from the flood range from \$79 million with the Federal Emergency Management Agency responsible for 75% of the cost, the State responsible for 21% and the District taxpayers responsible for 4%. The District has encumbered \$12,470,631 as of June 30, 2014 for this project.

**Date of Evaluation**

The District's Administration has evaluated subsequent events through October 1, 2014, the date on which the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. No significant matters were noted during the above period.

**NOTE 17: PRIOR PERIOD ADJUSTMENTS**

During the year, the District engaged the services of an appraisal firm to inventory the District's capital assets. The completed inventory resulted in the addition in the valuation of capital assets, the deletion of certain items no longer in use and reclassification of others as well as adjustments to accumulated depreciation. The net effect of these adjustments was to increase the value of capital assets by \$1,750,147. See Note 6 for additional detail.

See independent auditors' report

**REQUIRED SUPPLEMENTARY INFORMATION**  
**AND**  
**SUPPLEMENTARY INFORMATION**

**BINGHAMTON CITY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
OTHER POST EMPLOYMENT BENEFITS PLAN  
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (in thousands) (b)	Unfunded AAL (UAAL) (in thousands) (b-a)	Funded Ratio (a/b)	Covered Payroll (in thousands) (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
July 1, 2012	\$ -	\$ 133,717	\$ 133,717	0.00%	\$ 42,294	316.2%
July 1, 2012	-	123,783	123,783	0.00%	42,938	288.3%
July 1, 2011	-	96,250	96,250	0.00%	45,004	213.9%
July 1, 2010	-	89,212	89,212	0.00%	47,494	187.8%
July 1, 2009	-	85,536	85,536	0.00%	39,542	216.3%
July 1, 2008	-	79,379	79,379	0.00%	39,359	201.7%

See paragraph on supplementary schedules included in independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$ 39,462,133	\$ 33,144,679	\$ 33,144,678	\$ (1)
Other tax items	398,418	6,715,872	6,945,252	229,380
Charges for services	409,000	409,000	599,319	190,319
Use of money and property	524,404	524,404	509,077	(15,327)
Sale of property and compensation for loss	-	-	81,380	81,380
Miscellaneous	2,725,000	2,725,000	3,845,553	1,120,553
				<i>52,000</i>
				<i>2,000</i>
				<i>1,120,553</i>
Total Local Sources	43,518,955	43,518,955	45,125,259	1,606,304
State sources	54,183,672	54,183,672	57,665,675	3,482,003
Federal sources	270,000	270,000	130,460	(139,540)
Total Revenues	97,972,627	97,972,627	102,921,394	4,948,767
<b>OTHER FINANCING SOURCES</b>				
Appropriated fund balance	2,450,000	4,092,000	-	(4,092,000)
Appropriated reserves	2,108,811	2,108,811	-	(2,108,811)
Total Revenues and Other Financing Sources	\$ 102,531,438	\$ 104,173,438	\$ 102,921,394	\$ (1,252,044)

Continued on next page

**BINGHAMTON CITY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgetary Actual And Encumbrances
<b>EXPENDITURES</b>					
<b>General Support</b>					
Board of education	\$ 28,721	\$ 37,606	\$ 32,519	\$ 119	\$ 4,968
Central administration	250,876	258,341	257,507	135	699
Finance	1,343,076	1,321,559	1,291,920	4,493	25,146
Staff	640,570	704,810	628,538	2,066	74,206
Central services	8,646,124	8,687,873	7,893,510	171,697	622,666
Special items	1,080,973	1,079,876	1,056,019	-	23,857
<b>Total General Support</b>	<b>11,990,340</b>	<b>12,090,065</b>	<b>11,160,013</b>	<b>178,510</b>	<b>751,542</b>
<b>Instruction</b>					
Instruction, administration and improvement	3,476,025	3,712,612	3,626,959	1,725	83,928
Teaching - regular school	25,736,987	25,846,051	25,626,981	18,132	200,938
Programs for children with handicapping conditions	13,582,072	13,381,125	12,432,921	21,599	926,605
Occupational education	590,994	587,130	578,957	617	7,556
Teaching - special school	1,511,110	1,552,260	1,550,697	-	1,563
Instructional media	3,641,116	3,641,551	3,563,489	398	77,664
Pupil services	2,817,141	2,698,471	2,597,185	19,213	82,073
<b>Total Instruction</b>	<b>51,355,445</b>	<b>51,419,200</b>	<b>49,977,189</b>	<b>61,684</b>	<b>1,380,327</b>
<b>Pupil transportation</b>	<b>3,006,014</b>	<b>2,997,472</b>	<b>2,865,444</b>	<b>9,529</b>	<b>122,499</b>
<b>Employee Benefits</b>	<b>28,207,239</b>	<b>28,052,301</b>	<b>24,675,516</b>	<i>Health ins</i>	<b>3,376,785</b>
<b>Debt Service</b>	<b>7,877,400</b>	<b>7,877,400</b>	<b>7,701,068</b>	<i>books inv'd</i>	<b>176,332</b>
<b>Total Expenditures</b>	<b>102,436,438</b>	<b>102,436,438</b>	<b>96,379,230</b>	<i>for a budget</i> <i>by a mill</i> <i>249,723</i>	<b>5,807,485</b>
<b>OTHER FINANCING USES</b>					
Transfers (to) other funds	95,000	1,737,000	1,697,763	-	39,237
<b>Total Expenditures and Other Uses</b>	<b>102,531,438</b>	<b>104,173,438</b>	<b>98,076,993</b>	<b>\$ 249,723</b>	<b>\$ 5,846,722</b>
<b>Net Change in Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,844,401</b>		
Fund balance - beginning			10,239,400		
Use of inventory reserve			(32,868)		
Fund balance - Ending			<u>\$ 15,050,933</u>		

See paragraph on supplemental schedules included in the independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT  
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET  
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION  
JUNE 30, 2014**

**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 102,174,627
Add: Prior year's encumbrances	<u>356,811</u>
Original budget	102,531,438
<b>Budget revision:</b>	
Use of Fund Balance	<u>1,642,000</u>
Final budget	<u>\$ 104,173,438</u>

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

2014-2015 voter-approved budget	\$ 108,433,784
Maximun allowed (4% of 2014-2015 budget)	4,337,351
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted fund Balance	
Committed fund balance	-
Assigned fund balance	2,699,723
Unassigned fund balance	<u>4,082,720</u>
Total unrestricted fund balance	6,782,443
Less:	
Appropriated fund balance	2,450,000
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committerd and assigned fund balance	<u>249,723</u>
Total adjustments	2,699,723
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 4,082,720</u>
Actual percentage	3.77%

See paragraph on supplemental schedules included in auditors' report



BINGHAMTON CITY SCHOOL DISTRICT  
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
 JUNE 30, 2014

PROJECT TITLE	Original Budget	Revised Budget	Expenditures		Unexpended Balance	Proceeds of Obligations	Methods of Financing			Local Sources	Total	Fund Balance June 30, 2012
			Prior Years	Current Year			State Aid	Federal Sources	Other			
<b>Major Capital Projects</b>												
McArthur School	\$ 79,530,000	\$ 79,530,000	\$ 9,337,925	\$ 6,542,508	\$ 63,649,567	\$ -	\$ -	\$ -	\$ 4,495,154	\$ 3,428,411	\$ 7,923,565	\$ (7,956,868)
<b>Total Major Programs</b>	79,530,000	79,530,000	9,337,925	6,542,508	63,649,567	-	-	-	4,495,154	3,428,411	7,923,565	(7,956,868)
<b>Non-Major Capital Projects</b>												
EXCEL	\$ 46,445,498	\$ 37,350,000	\$ 36,794,390	\$ 49,746	\$ 505,864	\$ 30,960,000	\$ 2,734,878	\$ -	\$ -	\$ 4,140,123	\$ 37,835,001	\$ 990,865
Coolidge Chimney	65,359	65,359	66,570	-	(1,211)	-	-	-	-	65,359	65,359	(1,211)
East Gym: Asbestos	1,749,300	1,500,000	946,416	-	533,584	-	-	-	-	329,361	329,361	(617,055)
Binghamton Maintenance Facility	549,952	540,952	516,638	-	24,314	-	-	282,720	-	299,999	582,719	66,081
C. B. Lord Water Damage	76,500	153,000	85,455	-	67,545	-	-	-	-	85,455	85,455	-
Wilson Auditorium	350,000	350,000	330,000	-	350,000	350,000	-	-	-	-	350,000	-
Coolidge Asbestos Removal	5,000,000	5,000,000	4,850,854	-	149,146	-	-	-	-	-	-	(4,850,854)
2009 Capital Project	21,000,000	21,000,000	20,846,083	484,591	(330,674)	17,000,000	-	-	-	3,630,000	20,630,000	(700,674)
<b>Total Non-Major Projects</b>	75,236,309	65,959,311	59,605,552	5,385,191	968,568	48,310,000	2,734,878	282,720	8,550,297	8,550,297	59,877,895	(5,112,848)
<b>Total Major and Nonmajor Projects</b>	\$ 154,766,309	\$ 145,489,311	\$ 68,943,477	\$ 11,927,699	\$ 64,618,135	\$ 48,310,000	\$ 2,734,878	\$ 4,777,874	\$ 11,978,708	\$ 11,978,708	\$ 67,801,460	\$ (13,069,716)

See paragraph on supplementary schedules included in independent auditors' report

**BINGHAMTON CITY SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
COMBINED BALANCE SHEET - NON-MAJOR FUNDS  
JUNE 30, 2014**

	School Lunch	Special Aid	Capital Projects	Debt Service	Total Non-Major Funds
<b>ASSETS</b>					
<b>Cash</b>					
Unrestricted	\$ 149,569	\$ 96,958	\$ -	\$ 251,090	\$ 497,617
<b>Receivables</b>					
Due from other funds	7,453	-	-	9,816	17,269
State and Federal aid	297,355	3,671,765	-	-	3,969,120
Other	10,106	-	-	-	10,106
Inventories	167,988	-	-	-	167,988
Deferred expenditures	-	124	-	-	124
<b>Total Assets</b>	<b>\$ 632,471</b>	<b>\$ 3,768,847</b>	<b>\$ -</b>	<b>\$ 260,906</b>	<b>\$ 4,662,224</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Accounts payable	\$ 26,438	\$ 289,275	\$ 4,530,573	\$ -	\$ 4,846,286
Accrued liabilities	3,203	14,634	-	-	17,837
Due to other funds	280,613	2,627,294	-	-	2,907,907
Due to other governments	146	-	-	-	146
Retainage payable	-	-	582,276	-	582,276
<b>Deferred credits</b>					
Unearned revenues	13,923	837,644	-	-	851,567
<b>Total Liabilities</b>	<b>324,323</b>	<b>3,768,847</b>	<b>5,112,849</b>	<b>-</b>	<b>9,206,019</b>
<b>FUND BALANCES</b>					
Non-Spendable	167,987	-	-	-	167,987
Restricted	140,161	-	-	260,906	401,067
Assigned	-	-	55,283	-	55,283
Unassigned	-	-	(5,168,132)	-	(5,168,132)
<b>Total Fund Balances</b>	<b>308,148</b>	<b>-</b>	<b>(5,112,849)</b>	<b>260,906</b>	<b>(4,543,795)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 632,471</b>	<b>\$ 3,768,847</b>	<b>\$ -</b>	<b>\$ 260,906</b>	<b>\$ 4,662,224</b>

See paragraph on supplemental schedules included in independent auditor's report

**BINGHAMTON CITY SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	School Lunch	Special Aid	Capital Projects	Debt Service	Total Non-Major Funds
<b>REVENUES</b>					
Use of money and property	\$ 226	\$ -	\$ -	\$ 9,881	\$ 10,107
Miscellaneous	27,435	-	-	2,127,535	2,154,970
State sources	319,288	2,397,093	-	-	2,716,381
Federal sources	3,280,579	6,895,678	-	-	10,176,257
Local sources		143,988	-	-	143,988
Surplus food	220,256	-	-	-	220,256
Sales - school lunch	272,242	-	-	-	272,242
<b>Total Revenues</b>	<b>4,120,026</b>	<b>9,436,759</b>	<b>-</b>	<b>2,137,416</b>	<b>15,694,201</b>
<b>EXPENDITURES</b>					
General support	-	-	-	205,482	205,482
Instruction	-	7,311,924	-	-	7,311,924
Employee benefits	812,032	2,168,629	-	-	2,980,661
<b>Debt service</b>					
Principal	-	-	-	1,809,853	1,809,853
Cost of sales	3,315,761	-	-	-	3,315,761
Capital outlay	-	-	5,385,191	-	5,385,191
<b>Total Expenditures</b>	<b>4,127,793</b>	<b>9,480,553</b>	<b>5,385,191</b>	<b>2,015,335</b>	<b>21,008,872</b>
Excess (Deficiency) of Revenues Over Expenditures	(7,767)	(43,794)	(5,385,191)	122,081	(5,314,671)
<b>OTHER FINANCING SOURCES AND USES</b>					
Proceeds from debt	-	-	1,809,853	-	1,809,853
Operating transfers in	11,969	43,794	-	-	55,763
Operating transfers (out)	-	-	-	-	-
<b>Total Other Sources (Uses)</b>	<b>11,969</b>	<b>43,794</b>	<b>1,809,853</b>	<b>-</b>	<b>1,865,616</b>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	4,202	-	(3,575,338)	122,081	(3,449,055)
Fund Balances - Beginning of year	303,946	-	(1,537,511)	138,825	(1,094,740)
Fund Balances - End of Year	\$ 308,148	\$ -	\$ (5,112,849)	\$ 260,906	\$ (4,543,795)

See paragraph on supplemental schedules included in independent auditor's report

**BINGHAMTON CITY SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Capital Assets, net</b>	\$ 116,465,607
<b>Deduct:</b>	
Bond anticipation notes	20,000,000
Premium on bonds payable	(2,127,535)
Short-term portion of bonds payable	5,485,000
Long-term portion of bonds payable	46,435,000
Less: unspent bond proceeds	<u>(9,705,890)</u>
	<u>60,086,575</u>
Investment in capital assets, net of related debt	<u>\$ 56,379,032</u>

See paragraph on supplemental schedules included in auditor's report

**BINGHAMTON CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed Through NYS Education Department: Special Education Cluster:</b>				
IDEA Section 611	84.027A	0032-13-0049	\$ 56,336	
IDEA Section 611	84.027A	0032-14-0049	1,553,334	\$ 1,609,670
IDEA Section 619	84.173A	0033-13-0049	1,201	
IDEA Section 619	84.173A	0033-14-0049	59,420	60,621
Total Special Education Cluster:				<u>1,670,291</u>
<b>Title I, Part A Cluster:</b>				
Title I	84.010A	0021-13-0150	894,890	
Title I	84.010A	0021-14-0150	2,539,686	3,434,576
Title I Schools in Need of Improvement	84.010	0011-13-2024	215,287	
Title I Schools in Need of Improvement	84.010	0011-14-2024	135,370	350,657
Total Title I, Part A Cluster:				<u>3,785,233</u>
Career and Technical Education	84.048	8000-13-0078	2,253	
Career and Technical Education	84.048	8000-14-0078	50,357	52,610
ESEA Title IIA Improving Teacher Quality	84.367A	0147-13-0150	7,076	
ESEA Title IIA Improving Teacher Quality	84.367A	0147-14-0150	450,038	457,114
WIA	84.002A	2338-13-1004		818
Title IIIA LEP	84.365A	0293-13-0150	6,397	
Title IIIA LEP	84.365A	0293-14-0150	32,473	38,870
Education for Homeless Children & Youth	94.196A	0212-14-4072		33,046
Total Other Programs				582,458
ARRA - State Fiscal Stabilization Fund				
Race to the Top Incentive Grants	84.395	5500-13-0150	2,818	
Race to the Top Incentive Grants	84.395	5500-14-0150	370,880	373,698
ARRA - State Fiscal Stabilization Fund	84.395	5545-13-0002	2,300	
ARRA - State Fiscal Stabilization Fund	84.395	5545-14-002	411,681	413,981
Total ARRA - State Fiscal Stabilization Fund				787,679
Total passed through the NYS Education Dept.				<u>6,825,661</u>
<b>Direct Grants:</b>				
Early Reading First	84.359			60,851
FLAP Grant	84.293B			9,171
Total U.S. Department of Education				<u>\$ 6,895,683</u>

**BINGHAMTON CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	<u>Federal Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<b>U.S. Department of Agriculture</b>			
<b>Passed Through NYS Education</b>			
<b>Department:</b>			
<b>Child Nutrition Cluster:</b>			
<b>Non-Cash Assistance (commodities)</b>			
National School Lunch Program	10.555		\$ 220,256
<b>Cash Assistance</b>			
National School Breakfast Program	10.553		747,271
National School Lunch Program	10.555		2,136,728
Summer Food Service Program	10.559		252,949
Total Child Nutrition Cluster:			<u>3,357,204</u>
Fresh Fruit and Vegetable Program	10.582	0004-14-0010	<u>133,631</u>
Total U.S. Department of Agriculture			<u>3,490,835</u>
<b>U.S. Department of Homeland Security</b>			
<b>Passed through the NYS Division of Homeland</b>			
<b>Security &amp; Emergency Services</b>			
Disaster Grants - Public Assistance	97.036	4031-DR-NY	<u>2,430,168</u>
Total Department of Homeland Security			<u>2,430,168</u>
Total Federal Awards Expended			<u><u>\$ 12,816,686</u></u>

**BINGHAMTON CITY SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1: SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon an established rate applied to overall expenditures. There is no other indirect cost allocation plan in effect.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

**NOTE 2: SUBRECIPIENTS:**

No amounts were provided to subrecipients.

**NOTE 3: OTHER DISCLOSURES:**

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

**BINGHAMTON CITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

Section I - Summary of Auditors' Results

**Financial Statements**

Type of auditors' report issued: unqualified

	<u>Yes</u>	<u>No</u>	
Internal control over financial reporting:			
Material weakness identified?	_____	___X	
Reportable conditions identified that are not considered to be material weaknesses?	_____	___X	none reported
Noncompliance material to financial statements noted?	_____	___X	

**Federal Awards**

Internal control over major programs:			
Material weakness identified?	_____	___X	
Reported conditions identified that are not considered to be material weaknesses?	_____	___X	none reported

Type of auditors' report issued on compliance for major programs: unqualified

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

**Identification of major programs:**

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.010	Grants to Local Educational Agencies
97.036	Disaster Grants – Public Assistance
84.367	Improving Teacher Quality

Dollar threshold used to distinguish between Type A and Type B programs: \$384,501

Auditee qualified as low-risk auditee?	<u>No</u>
--	-----------

Section II - Financial Statement Findings: No matters were reported.

**Summary Schedule of Prior Audit Findings**

2013-001

**Criteria:** No certifications were obtained for employees engaged solely in activities supported by Title 1.

**Status:** Corrective action was taken



# VIEIRA & ASSOCIATES CPAs, P.C.

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\* Also licensed in South Carolina  
\*\* Also licensed in Pennsylvania

Board of Education  
Binghamton City School District  
164 Hawley Street  
Binghamton, NY 13901

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

We have audited the financial statements of Binghamton City School District as of and for the year ended June 30, 2014, and have issued our report thereon dated October 1, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Binghamton City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Binghamton City School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Binghamton City School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in material control, such that there is a reasonable possibility a material misstatement in the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and other Matters**

As part of obtaining reasonable assurance about whether Binghamton City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under **OMB Circular A-133** and which is described in the accompanying schedule of findings and questioned costs as item 2013-01.

### **Binghamton City School District's Response to Finding**

The Binghamton City School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Binghamton City School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Vieira & Associates CPAs, P.C.*

October 1, 2014  
Endicott, New York

# VIEIRA & ASSOCIATES CPAs, P.C.

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\*\* Also licensed in Pennsylvania

## **Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133**

Board of Education  
Binghamton City School District  
164 Hawley Street  
Binghamton, NY 13901

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

We have audited Binghamton City School District's compliance with the types of compliance requirements described in the **OMB Circular A-133 Compliance Supplement** that could have a direct and material effect on each of Binghamton City School District's major federal programs for the year ended June 30, 2014. Binghamton City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

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

## **Unmodified Opinion on Each of the Major Federal Programs**

In our opinion, the Binghamton City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

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

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

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

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

*Vieira & Associates CPA's, P.C.*

October 1, 2014  
Endicott, New York

# VIEIRA & ASSOCIATES CPAs, P.C.

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## INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES

President and Members of the  
Board of Education  
Binghamton City School District  
Binghamton, New York

We have performed the procedures enumerated below, which were agreed to by the Board of Education, in order to comply with the certification requirement contained within the revised Regulations of the Commission of Education Section 170.12 regarding the expenditures of the Contract for Excellence for the year ended June 30, 2014. Binghamton City School District's management is responsible for the Contract of Excellence expenditures. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Binghamton City School District. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

We have also reported to you our findings as a result of our procedures, which are included within the body of this report.

### Our procedures are as follows:

- 1) We have reviewed the submitted Contract for Excellence application, experimental application and any amendments to each to determine if they were properly approved by the Commissioner of Education in a timely fashion and that the public comment process procedures were followed.
- 2) We determined if the School District established an appropriate accounting system to clearly identify costs associated with the Contract for Excellence and that the accounting system captured building level costs.
- 3) We selected a sample of transactions to support disbursements of at least 5% of the total Contract for Excellence expenditures, to determine the following:
  - a. Transactions were properly documented with original vendor invoices, purchase orders, approved contracts, other original source documentation, timesheets, and/or C4E payroll certification.
  - b. Accounting for these transactions has been separately identified at the school building level within the accounting system and represent a type of expenditure that was included in the approved building plan.
  - c. Expenditures were properly classified on the supplemental schedule provided to the NYS Education Department and are consistent with the terms and objectives of the approved contract as certified by the Superintendent.

**Our Findings are as follows:**

There were no findings.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion, on the Contract for Excellence expenditures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Binghamton City School District and is not intended to be and should not be used by anyone other than those specified parties.

*Vieira & Associates CPA's, P.C.*

Endicott, New York  
October 1, 2014

## FORM OF BOND COUNSEL'S OPINION

June 30, 2015

City School District of the City of Binghamton,  
County of Broome,  
State of New York

Re: City School District of the City of Binghamton, Broome County, New York  
\$11,000,000 Tax Anticipation Notes, 2015

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$11,000,000 Tax Anticipation Notes, 2015 (the "Obligations"), of the City School District of the City of Binghamton, County of Broome, State of New York (the "Obligor"), dated June 30, 2015, in the denomination of \$\_\_\_\_\_, bearing interest at the rate of \_\_\_\_\_% per annum, payable at maturity, and maturing January 28, 2016.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the

Federal government affecting the enforcement of creditors' rights.

- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP