

Pelham Union Free School District, New York

Financial Statements and
Supplementary Information

Year Ended June 30, 2017

Pelham Union Free School District, New York

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pelham Union Free School District, New York ("School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General and Special Aid funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit for the year ended June 30, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* for the year ended June 30, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2017 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2017.

We also previously audited, 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, the basic financial statements of the School District as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated September 9, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended June 30, 2016 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2016 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

September 21, 2017

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Pelham Union Free School District, New York

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2017

This discussion and analysis of the Pelham Union Free School District's ("District") financial performance provides a narrative overview and analysis of the district's financial activities for the year ended June 30, 2017. It should be read in conjunction with the basic financial statements, which immediately follow this section, to enhance understanding of the District's financial performance.

Financial Highlights for FY 2016-2017

Key financial highlights for fiscal year 2016-2017 are as follows:

- The amount of unassigned fund balance that can be retained in the General Fund is limited to 4% of the ensuing year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$2,911,197 or 4% of the 2017-2018 school year budget of \$72,780,000 and thus within the statutory limit.
- As of June 30, 2017, the District's governmental fund financial statements report a combined ending fund balance of \$19,890,513, a decrease of \$1,064,688 from the prior year. The General Fund's unassigned fund balance of \$2,911,197 (the only portion of the combined fund balance of \$19,890,513 that is not classified as nonspendable, restricted or assigned) represents approximately 15% of this total. The remaining General Fund fund balance consists of:
 - Nonspendable fund balance related to prepaid expenses, inventories and endowment funds;
 - Restricted fund balance, such as reserves and the fund balance in the Debt Service Funds; and
 - Assigned fund balance including encumbrances and appropriations for the ensuing year's budget.

The combined fund balance includes monies restricted and assigned for Debt Service of \$2,180,404, which will be used to meet the District's future debt service obligations and a restricted Capital Projects Fund fund balance of \$(273,621) due to expenditures in 2016-17 related to projects funded in the 2017-18 budget.

- For 2016-17 and 2017-18, the District budgeted \$1,401,754 and \$1,396,780, respectively, as an appropriated surplus contribution to fund the budget. The 2017-2018 appropriation is comprised of \$586,780 for one-time contractual expenditures related to the Pelham Teacher's Association contract, as well as \$810,000 in available fund balance at the end of 2016-2017 as a source of financing to support the 2017-2018 budget.
- On the district-wide financial statements (which include the District's net Capital Assets, Other Post-Employment Benefits and the District's proportionate share of pension assets/liabilities), the assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at June 30, 2017 by \$11,093,195. The District's total net position reflects a decrease of \$7,187,988 for the year ended June 30, 2017, largely due to changes in the District's proportionate share of pension assets/liabilities for employee retirement systems, a component over which the District has no control.

- The district-wide financial statements must report certain items in accordance with the pronouncements of the Government Accounting Standards Board (GASB). The GASB is charged with developing the accounting rules that apply to governments, including school districts and BOCES. GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions*" requires the District to include in its district-wide financial statements its proportionate share of the net pension liability or asset of the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). At June 30, 2017, the School District reported in its Statement of Net Position a liability for its proportionate share of the ERS and TRS net pension liabilities of \$1,622,792 and \$2,218,696, respectively. More detailed information about the School District's pension plan reporting in accordance with the provisions of GASB Statement No. 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in note 3D - Long-Term Liabilities in the notes to financial statements.
- Also reflected in the district-wide financial statements is the recognition of other post-employment benefit ("OPEB") obligations under the provisions of GASB Statement No. 45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*" These obligations include any benefits provided to retirees, other than pension, including health insurance, life insurance, vision, dental, etc. GASB Statement No. 45 establishes standards for accrual based measurement and recognition of OPEB expenses over periods that approximate employees' years of active service, as well as the required note disclosures. For the year ending June 30, 2017, the District's OPEB obligations of \$38,969,696 are reflected as a liability on the district-wide financial statements. More detailed information about the School District's OPEB reporting in accordance with the provisions of GASB Statement No. 45 is presented in note 3D - Long-Term Liabilities in the notes to financial statements.
- At the fund level, the General Fund, used to account for the District's budget, reflected actual expenditures of \$69,897,058 for 2016-2017 which exceeded actual revenue & other financing sources of \$69,580,813 by \$316,245. This operating deficit resulted in a decrease to the General Fund fund balance by the same amount in 2016-2017.
- The Debt Service Fund, used for the payment of principal and interest payments on the District's outstanding bond issuances, reflected a reduction in fund balance of \$160,834 in 2016-17. This reduction consisted of an appropriation of \$175,000 to support the operating budget, as partially offset by other earnings in the Fund.
- The 2016-2017 school year enrollment (measured as of BEDS date) was 2,871 students, an increase of 47 students from the 2015-2016 enrollment of 2,824. Enrollment is currently projected at 2,921 for 2017-2018.
- During 2016-2017, the District completed work on the \$800,000 district-wide safety and security improvement project begun in 2013-14. On May 17, 2016, the voters approved a \$3,000,000 bond referendum to renovate the High School locker rooms and upgrade electrical panels in the High School complex. The District commenced work on these projects in June 2017, with expected completion during the 2017-18 school year.
- During 2016-2017, the District advance refunded \$9,415,000 of outstanding 2009 serial bonds. The advance refunding involved the issuance of \$9,430,000 in serial bonds with coupon interest rates ranging from 2.375% to 4%. This action will yield approximately \$600,000 in cash flow savings over the next 14 years, the life of the bonds. More detailed information about the refunding is presented in note 3, D-Long Term Liabilities.

- It is significant to note that the District underwent a credit rating by Standard & Poor (S&P) as part of the refunding process noted above and the District's "AAA rating with a stable outlook", the highest rating available, was affirmed. The rating report noted that the District's favorable "general creditworthiness" was based on several factors:
 - Access to the broad and diverse New York City economic center, supported by very strong income and wealth;
 - Stable financial performance, combined with strong available general fund reserves;
 - Good financial management practices; and
 - Low to moderate overall net debt with limited additional debt plans.

Overview of the Financial Statements

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

District-Wide Financial Statements

- The *district-wide financial statements* are designed to provide readers with a broad overview of the district's finances, in a manner similar to a private-sector business.
 - The *statement of net position* presents information on all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
 - The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
 - The *governmental activities* of the District include instruction, pupil transportation, community services, cost of food sales, interest and general support.

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

Fund Financial Statements

- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.
- *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the

fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

- Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.
- The District maintains seven individual governmental funds: General Fund, Special Aid Fund, Capital Projects Fund, Debt Service Fund, School Lunch Fund, Special Purpose Fund and Permanent Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Special Aid, Capital Projects and Debt Service funds, which are considered to be major funds. Data for the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.
- The district adopts an annual budget for its General and Special Aid funds. A budgetary comparison statement has been provided for the General and Special Aid funds within the basic financial statements to demonstrate compliance with the respective budget.
- The *Fiduciary Funds* are used to account for assets held by the district in an agency capacity on behalf of others. Fiduciary funds are not reflected in the district-wide financial statement because the resources of these funds are not available to support the district's programs.

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

Notes to Financial Statements

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

District-Wide Financial Analysis

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

As shown in the table below, the District's assets exceeded liabilities by \$11,093,195 as of June 30, 2017.

	Net Position		%
	2017	June 30, 2016	
Current Assets	\$ 25,950,582	\$ 49,563,675	-48%
Capital Assets, net	47,317,403	49,768,050	-5%
Total Assets	73,267,985	99,331,725	-26%
Deferred Outflows of Resources	23,997,772	7,217,054	233%
Current Liabilities	6,370,798	6,957,137	-8%
Long-Term Liabilities	78,817,680	73,448,608	7%
Total Liabilities	85,188,478	80,405,745	6%
Deferred Inflows of Resources	984,084	7,861,851	-87%
Net Position			
Net Investment in Capital Assets	12,556,459	12,682,024	-1%
Restricted for			
Capital Projects	1,300,677	1,117,178	16%
Tax Certiorari	4,567,311	4,661,150	-2%
Retirement Contributions	2,429,240	2,843,560	-15%
Debt Service	2,180,404	2,341,238	-7%
Property Damage	36,303	36,271	0%
Unemployment Benefits	152,926	152,793	0%
Repairs	585,184	584,640	0%
Trusts	964,479	1,065,821	-10%
School Lunch	347,371	342,839	1%
Unrestricted	(14,027,159)	(7,546,331)	86%
Total Net Position	\$ 11,093,195	\$ 18,281,183	-39%

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

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

There is a negative balance for unrestricted net assets of \$14,027,159 which is the result of recognizing OPEB liabilities under GASB Statement No. 45 and pension liabilities under GASB Statement No. 68. Overall, net position decreased by \$7,187,988 from the prior year.

Changes in Net Position

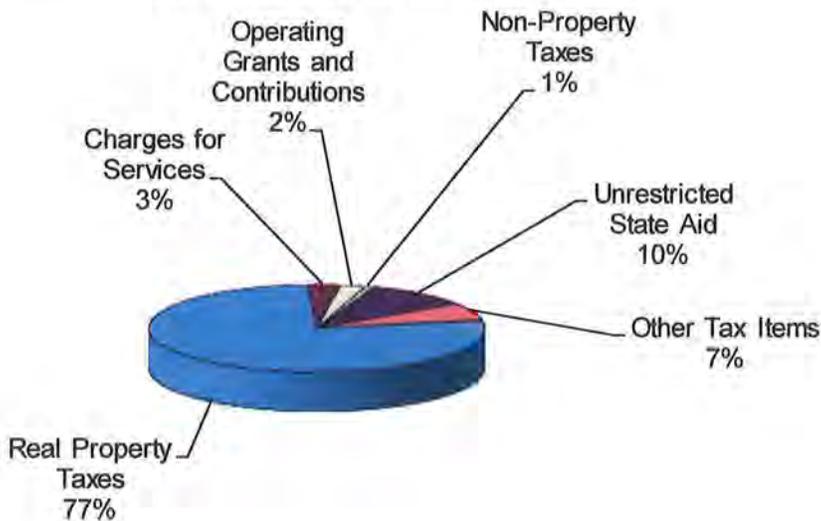
	June 30,		%
	2017	2016	
REVENUES			
Program Revenues			
Charges for Services	\$ 2,235,073	\$ 1,897,253	18%
Operating Grants and Contributions	1,709,532	1,773,421	-4%
Capital Grants and Contributions	14,166	1,917	639%
Total Program Revenues	<u>3,958,771</u>	<u>3,672,591</u>	<u>8%</u>
General Revenues			
Real Property Taxes	54,789,529	54,453,038	1%
Other Tax Items	4,464,571	4,770,996	-6%
Non-Property Taxes	657,774	650,992	1%
Unrestricted Use of Money and Property	18,064	14,904	21%
Sale of Property and Compensation for Loss	16,500	222	7332%
Unrestricted State Aid	7,070,361	6,813,983	4%
Miscellaneous	310,264	460,068	-33%
Total General Revenues	<u>67,327,063</u>	<u>67,164,203</u>	<u>0%</u>
Total Revenues	<u>71,285,834</u>	<u>70,836,794</u>	<u>1%</u>
PROGRAM EXPENSES			
General Support	10,420,541	11,129,778	-6%
Instruction	64,558,340	56,690,107	14%
Pupil Transportation	1,237,869	898,299	38%
Community Services	138,343	550,888	-75%
Cost of Food Sales	748,820	667,078	12%
Other	436,269	263,245	66%
Interest	933,640	1,659,702	-44%
Total Expenses	<u>78,473,822</u>	<u>71,859,097</u>	<u>9%</u>
Change in Net Position	<u>(7,187,988)</u>	<u>(1,022,303)</u>	<u>603%</u>
NET POSITION			
Beginning	<u>18,281,183</u>	<u>19,303,486</u>	<u>-5%</u>
Ending	<u>\$ 11,093,195</u>	<u>\$ 18,281,183</u>	<u>-39%</u>

As seen above, governmental activities resulted in a decrease to the district's net position of \$7,187,988 during the current fiscal year. Also noteworthy is the impact of the requirements of GASB Statement No. 45 which requires recognition of OPEB expense of \$7,934,533 for the year ended June 30, 2017. Other significant changes in these activities are as follows:

Revenues

- Real Property Taxes, including STAR, increased by only \$30,066 or 0.05% over the prior year due to a devastatingly low increase in the consumer price index of 0.12%. The growth in the annual Real Property Tax levy is limited by the "Tax Levy Limitation Law" enacted in 2011 which stipulates that the levy of a school district cannot increase by more than the lesser of two percent or the annual increase in the consumer price index. The 2016-2017 property tax levy increase over the prior year was 0.05% compared to the allowable tax levy change of 0.23%.
- Other Tax Items include reimbursements received for the School Tax Relief Reimbursement Program ("STAR").
- Non-Property Taxes consists of the sales tax allocation from Westchester County.
- Unrestricted State Aid, comprised largely of Basic Formula Aid, Lottery Aid, BOCES Aid and Building Aid, allocated to the district increased by \$256,378 or 4% from the prior year amount.
- As indicated on the graph below, the district relied upon real property taxes for 77% of its revenue in 2016-2017.

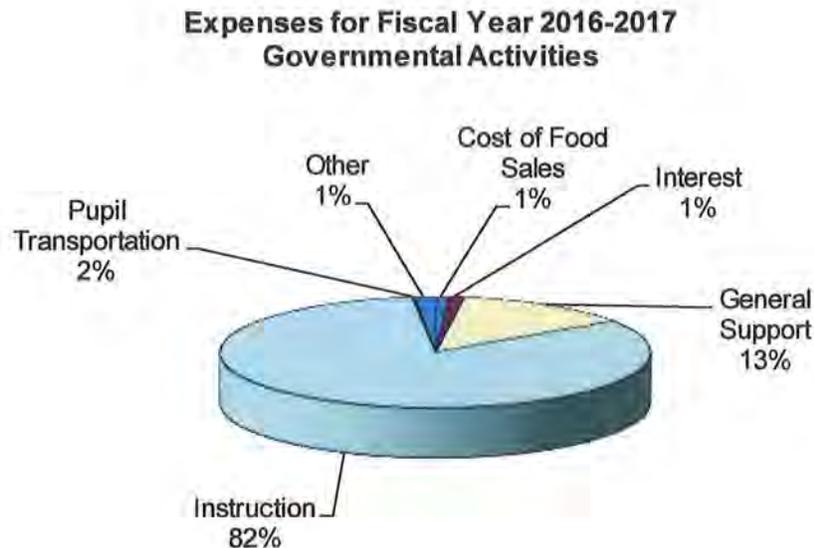
**Sources of Revenue for Fiscal Year 2016-2017
Governmental Activities**



Expenses

Overall, Government-wide expenses increased by \$6.6 million across all funds. Increased expenditures largely reflect the effects of GASB Statement No. 45 and GASB Statement No. 68, as well as increases in expenditures at the fund level for salaries, benefits and other contractual expenditures.

As indicated on the graph below, the district's instruction costs accounted for 82% of its expenditures in 2016-2017.



Financial Analysis of the School District's Funds

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

Fund Balance Reporting

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

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

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

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

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

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

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

Governmental Funds

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

As of June 30, 2017, the combined fund balances for the district's governmental funds totaled \$19,890,513, a decrease of \$1,064,688 from the prior year.

General Fund Budgetary Highlights

The General Fund is the primary operating fund of the district. The adopted budget for fiscal year 2016-17 of \$70,938,000 was increased by \$1,164,656 as a result of prior year encumbrances of \$1,119,795 and appropriations from the tax certiorari reserves for tax certiorari payments made in 2016-17 of \$44,861. During the fiscal year, appropriation transfers within the budget were made to address the operational needs of the district. The final adjusted budget for the fiscal year ending June 30, 2017 was \$72,102,656.

Revenues and Other Financing Sources exceeded the final budget by \$880,267 (versus \$901,115 for 2015-16). The largest components of the 2016-17 variance are as follows:

- State Aid favorable variance of \$402,000 due primarily to the BOCES aid component, as well as receipt of a legislative grant.
- Charges for Services favorable variance of \$386,000 generated from higher than budgeted tuition from out of district students attending District programs and collection of health service billings from prior years.
- Miscellaneous revenues favorable variance of \$190,000 due to refund of prior year expenditures in excess of budget.
- Transfer from the Debt Service Fund unfavorable variance of \$175,000 due to debt service savings from successful refundings of bonds and a desire to preserve the Debt Service Fund to offset possible future capital needs.

On the expenditure side of the budget, a positive budgetary variance of \$2,205,598, inclusive of encumbrances, was achieved for 2016-17 (versus \$3,449,955 for 2015-16). The 2016-17 variance was realized largely due to the following:

- Central services, consisting of expenditures for utilities and facilities operations & maintenance, achieved a \$1.1 million budgetary savings with the deferral of certain planned facilities projects to 2017-18.
- Teaching-Regular School reflected a \$200,000 variance due to savings in various salary line items.
- Pupil services, consisting of health/guidance/psychology and interscholastic/co-curricular programs, reflected \$150,000 in savings across several individual line items.

The combined effects of the revenue and expenditure budget variances produced a budgetary surplus of \$3,085,865 for the fiscal year ended June 30, 2017 (versus \$4,351,070 for 2015-16). This budgetary surplus became a component of the General Fund fund balance which consists of nonspendable, restricted, assigned and unassigned balances as discussed under "Financial Highlights for FY 2016-2017" and was allocated for current year encumbrances, appropriations for the ensuing year's budget, changes in reserve funds, etc.

At the end of the current fiscal year, the total fund balance of the General Fund was \$16,671,880 of which \$2,911,197 was classified as unassigned fund balance, representing 4% of the ensuing year's budget. As previously mentioned, New York State Law limits the amount of unassigned fund balance that can be retained to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget.

The table on the following page outlines the various balances that comprise the total fund balance as of June 30, 2017 and 2016 according to their GASB Statement No. 54 classifications. More detailed information about the district's fund balance is presented in note 3, G-Fund Balances in the notes to the financial statements.

Total Fund Balance Classifications

GASB Statement No. 54 Classification		Fund Balance	
		June 30,	
		2017	2016
Nonspendable Fund Balance:	Prepaid expenditures	\$ 1,465,083	\$ 1,378,282
	Inventories	3,648	3,844
	Trust-Permanent fund	592,839	592,839
	Total Nonspendable Fund Balance	2,061,570	1,974,965
Restricted Fund Balance:	Tax certiorari reserves	4,567,311	4,661,150
	Employee benefit accrued liability reserve	178,403	236,661
	Retirement contribution (ERS) reserve	2,429,240	2,843,560
	Property damage reserve	36,303	36,271
	Repairs	585,184	584,640
	Unemployment benefits reserve	152,926	152,793
	Debt service	1,855,404	1,991,238
	Capital projects	1,300,677	1,117,178
	Special purpose	367,859	469,509
	Permanent fund	3,781	3,473
	Total Restricted Fund Balance	11,477,088	12,096,473
Assigned Fund Balance:	Purchases on Order:		
	General Government Support	645,607	731,841
	Instruction	78,169	379,320
	Community Services	-	8,634
	School lunch fund	343,723	338,995
	Appropriated for subsequent year's expenditures	2,646,780	2,587,454
	Total Assigned Fund Balance	3,714,279	4,046,244
Unassigned Fund Balance		2,637,576	2,837,519
Total Fund Balance, as of June 30		\$ 19,890,513	\$ 20,955,201

Capital Assets

At June 30, 2017, the district had capital assets of \$47,317,403, net of accumulated depreciation, invested in a broad range of capital assets, including land, construction in progress, buildings and improvements, land improvements and machinery and equipment. The change in capital assets, net of accumulated depreciation, is presented below and includes comparative balances from the prior year.

Class	June 30,		% Change
	2017	2016	
Land	\$ 2,167,650	\$ 2,167,650	0%
Construction in Progress	273,620	656,461	-58%
Buildings and Improvements	43,026,835	45,126,024	-5%
Land Improvements	1,550,605	1,606,061	-3%
Machinery and Equipment	298,693	211,854	41%
Total Capital Assets, net of accumulated depreciation	\$ 47,317,403	\$ 49,768,050	-5%

The net decrease in capital assets during the current fiscal year results primarily from depreciation expense recorded in 2016-2017 of \$3,144,973 and asset disposals, net of accumulated depreciation, of \$656,461, as partly offset by net capital asset additions of \$1,350,787. The capital asset additions consist primarily of building improvement projects completed during 2016-17.

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

Long-Term Debt

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

	June 30,		% Change
	2017	2016	
Bonds Payable	\$ 33,310,000	\$ 35,645,000	-7%
Unamortized Premium on Bonds	2,518,093	1,810,789	39%
Compensated Absences	178,403	236,661	-25%
Net Pension Liability	3,841,488	2,717,623	41%
Other Post Employment Benefit Obligations	38,969,696	33,038,535	18%
Total	\$ 78,817,680	\$ 73,448,608	7%

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

Conclusion

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

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

The district is subject to audit by several entities: a claims auditor, an internal auditor, an external auditor, and State auditors. Each entity has an important role in reviewing the financial stability of the district and assisting the Board of Education in upholding its fiduciary responsibility to its community. Each audit conducted in 2016-17 indicated that the district's financial operations are in compliance with state laws and/or existing Board of Education policies and administrative regulations. The audited financial statements that follow reflect relevant data pertaining to the overall financial position of the district as of and for the year ended June 30, 2017.

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

As with all governmental entities, the district depends heavily on its real property taxes, which represent almost 80% of its revenue. Despite many unfunded mandates and the tax cap legislation imposed on it, the District experienced a tax rate increase of only 0.05% for the 2016-2017 fiscal year. At the same time, the District's share of State Aid is expected to increase only modestly, reflecting the sustained economic difficulties that the region and State are experiencing. The challenge of presenting a fiscally responsible budget while meeting the varied educational needs of its student population will continue to require effective and efficient management of district operations now and in future years.

The tax cap under which all school districts and municipalities in New York State operate has dramatically impacted the financial operations of all NYS governmental entities. With the majority of any governmental unit's revenue being provided by taxes, the tax cap places a hard ceiling on revenue increases thereby limiting expense growth and requiring creative solutions to maintain the high caliber educational program valued so highly by the Pelham community.

The District's adopted budget for 2017-2018 is \$72,780,000, representing a 2.6% budget to budget increase from 2016-2017 which is supported by a 1.98% tax levy increase. The allowable tax levy increase for 2017-18 was 2.14%.

Requests for Information

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

Pelham Union Free School District
Attn: Assistant Superintendent for Business
575 Colonial Avenue
Pelham, NY 10803-2144
Visit our Website at www.pelhamschools.org

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Pelham Union Free School District, New York

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and equivalents	\$ 21,484,089
Receivables	
Accounts	3,387
State and Federal aid	1,896,230
Due from other governments	1,098,145
Prepaid expenses	1,465,083
Inventories	3,648
Capital assets	
Not being depreciated	2,441,270
Being depreciated, net	<u>44,876,133</u>
Total Assets	<u>73,267,985</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>23,997,772</u>
LIABILITIES	
Accounts payable	1,220,138
Accrued liabilities	293,906
Due to other governments	82,768
Unearned revenues	148,221
Due to retirement systems	4,315,036
Accrued interest payable	310,729
Non-current liabilities	
Due within one year	2,218,000
Due in more than one year	<u>76,599,680</u>
Total Liabilities	<u>85,188,478</u>
DEFERRED INFLOWS OF RESOURCES	<u>984,084</u>
NET POSITION	
Net investment in capital assets	12,556,459
Restricted	
Future capital projects	1,300,677
Tax certiorari	4,567,311
Retirement contributions	2,429,240
Debt service	2,180,404
Property damage	36,303
Unemployment benefits	152,926
Repairs	585,184
Trusts	964,479
School lunch	347,371
Unrestricted	<u>(14,027,159)</u>
Total Net Position	<u>\$ 11,093,195</u>

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

Pelham Union Free School District, New York

Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General support	\$ 10,420,541	\$ 41,746	\$ 5,611	\$ -
Instruction	64,558,340	1,535,848	992,692	-
Pupil transportation	1,237,869	-	25,172	-
Community services	138,343	60,568	182,080	-
Cost of food sales	748,820	596,911	173,214	-
Other	436,269	-	334,927	-
Interest	933,640	-	-	14,166
Total Governmental Activities	\$ 78,473,822	\$ 2,235,073	\$ 1,713,696	\$ 14,166

General revenues

Real property taxes

Other tax items

School tax relief reimbursement

Non-property taxes

Non-property tax distribution from County

Unrestricted use of money and property

Sale of property and compensation for loss

Unrestricted State aid

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense)
Revenue and
Changes in
Net Position

\$ (10,373,184)
(62,029,800)
(1,212,697)
104,305
21,305
(101,342)
(919,474)

(74,510,887)

54,789,529

4,464,571

657,774

18,064

16,500

7,070,361

306,100

67,322,899

(7,187,988)

18,281,183

\$ 11,093,195

Pelham Union Free School District, New York

Balance Sheet
 Governmental Funds
 June 30, 2017

	General	Special Aid	Capital Projects
ASSETS			
Cash and equivalents	\$ 17,687,927	\$ 102,944	\$ 74,101
Receivables			
Accounts	293	-	-
State and Federal aid	1,234,512	653,301	-
Due from other governments	1,098,145	-	-
Due from other funds	1,084,284	-	6,300
Prepaid expenditures	1,465,083	-	-
Inventories	-	-	-
Total Assets	<u>\$ 22,570,244</u>	<u>\$ 756,245</u>	<u>\$ 80,401</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 1,002,405	\$ 7,785	\$ 66,798
Accrued liabilities	290,540	2,068	-
Due to other governments	82,564	-	-
Unearned revenues	104,858	-	-
Due to other funds	102,961	746,392	287,224
Due to retirement systems	4,315,036	-	-
Total Liabilities	<u>5,898,364</u>	<u>756,245</u>	<u>354,022</u>
Fund balances (deficits)			
Nonspendable	1,465,083	-	-
Restricted	9,250,044	-	-
Assigned	3,045,556	-	-
Unassigned	2,911,197	-	(273,621)
Total Fund Balances (Deficits)	<u>16,671,880</u>	<u>-</u>	<u>(273,621)</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 22,570,244</u>	<u>\$ 756,245</u>	<u>\$ 80,401</u>

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

Debt Service	Non-Major Governmental	Total Governmental Funds
\$ 2,180,300	\$ 1,438,817	\$ 21,484,089
-	3,094	3,387
-	8,417	1,896,230
-	-	1,098,145
104	688,606	1,779,294
-	-	1,465,083
-	3,648	3,648
<u>\$ 2,180,404</u>	<u>\$ 2,142,582</u>	<u>\$ 27,729,876</u>
\$ -	\$ 143,150	\$ 1,220,138
-	1,298	293,906
-	204	82,768
-	43,363	148,221
-	642,717	1,779,294
-	-	4,315,036
-	830,732	7,839,363
-	596,487	2,061,570
1,855,404	371,640	11,477,088
325,000	343,723	3,714,279
-	-	2,637,576
<u>2,180,404</u>	<u>1,311,850</u>	<u>19,890,513</u>
<u>\$ 2,180,404</u>	<u>\$ 2,142,582</u>	<u>\$ 27,729,876</u>

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Pelham Union Free School District, New York

Reconciliation of Governmental Funds Balance Sheet
to the District-Wide Statement of Net Position
Year Ended June 30, 2017

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

Fund Balances - Total Governmental Funds	\$ 19,890,513
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>47,317,403</u>
Governmental funds do not report the effect of losses on refunding bonds and assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities.	
Deferred amounts on refunding bonds	1,067,149
Deferred amounts on net pension assets (liabilities)	<u>21,946,539</u>
	<u>23,013,688</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(310,729)
Bonds payable	(35,828,093)
Compensated absences	(178,403)
Net pension liability	(3,841,488)
Other post employment benefits obligations payable	<u>(38,969,696)</u>
	<u>(79,128,409)</u>
Net Position of Governmental Activities	<u>\$ 11,093,195</u>

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

Pelham Union Free School District, New York

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2017

	General	Special Aid	Capital Projects
REVENUES			
Real property taxes	\$ 54,789,529	\$ -	\$ -
Other tax items	4,464,571	-	-
Non-property taxes	657,774	-	-
Charges for services	1,596,416	-	-
Use of money and property	65,421	-	-
Sale of property and compensation for loss	16,500	-	-
State aid	7,324,668	105,813	-
Federal aid	1,727	656,017	-
Food sales	-	-	-
Miscellaneous	488,180	-	-
Total Revenues	69,404,786	761,830	-
EXPENDITURES			
Current			
General support	8,112,912	-	-
Instruction	41,316,105	756,818	-
Pupil transportation	1,186,752	31,465	-
Community services	105,106	-	-
Employee benefits	15,778,318	-	-
Cost of food sales	-	-	-
Other	-	-	-
Debt service			
Refunding bond issuance costs	-	-	-
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	561,083
Total Expenditures	66,499,193	788,283	561,083
Excess (Deficiency) of Revenues Over Expenditures	2,905,593	(26,453)	(561,083)
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
Issuance premium	-	-	-
Transfers in	176,027	26,453	71,311
Transfers out	(3,397,865)	-	(1,027)
Total Other Financing Sources (Uses)	(3,221,838)	26,453	70,284
Net Change in Fund Balances	(316,245)	-	(490,799)
FUND BALANCES			
Beginning of Year	16,988,125	-	217,178
End of Year	<u>\$ 16,671,880</u>	<u>\$ -</u>	<u>\$ (273,621)</u>

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

Debt Service	Non-Major Governmental	Total Governmental Funds
\$ -	\$ -	\$ 54,789,529
-	-	4,464,571
-	-	657,774
-	-	1,596,416
2,072	702	68,195
-	-	16,500
-	9,342	7,439,823
-	159,483	817,227
-	596,911	596,911
12,094	338,614	838,888
14,166	1,105,052	71,285,834
-	-	8,112,912
-	-	42,072,923
-	-	1,218,217
-	-	105,106
-	-	15,778,318
-	765,593	765,593
-	436,269	436,269
132,362	-	132,362
2,350,000	-	2,350,000
950,101	-	950,101
-	-	561,083
3,432,463	1,201,862	72,482,884
(3,418,297)	(96,810)	(1,197,050)
9,430,000	-	9,430,000
(10,167,750)	-	(10,167,750)
870,112	-	870,112
3,300,101	-	3,573,892
(175,000)	-	(3,573,892)
3,257,463	-	132,362
(160,834)	(96,810)	(1,064,688)
2,341,238	1,408,660	20,955,201
\$ 2,180,404	\$ 1,311,850	\$ 19,890,513

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Pelham Union Free School District, New York

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2017

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

Net Change in Fund Balances - Total Governmental Funds \$ (1,064,688)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	694,326
Depreciation expense	<u>(3,144,973)</u>
	<u>(2,450,647)</u>

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

Refunding bonds issued	(9,430,000)
Issuance premium	(870,112)
Payment to refunded bond escrow agent	10,167,750
Principal paid on serial bonds	2,350,000
Amortization of loss on refunding bonds and issuance premium	<u>107,444</u>
	<u>2,325,082</u>

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

Accrued interest	(90,983)
Compensated absences	58,258
Pension obligations	(33,849)
Other post employment benefit obligations	<u>(5,931,161)</u>
	<u>(5,997,735)</u>

Change in Net Position of Governmental Activities \$ (7,187,988)

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

Pelham Union Free School District, New York

Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual
General and Special Aid Funds
Year Ended June 30, 2017

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 54,789,529	\$ 54,789,529	\$ 54,789,529	\$ -
Other tax items	4,464,571	4,464,571	4,464,571	-
Non-property taxes	625,000	625,000	657,774	32,774
Charges for services	1,209,859	1,209,859	1,596,416	386,557
Use of money and property	41,180	41,180	65,421	24,241
Sale of property and compensation for loss	-	-	16,500	16,500
State aid	6,922,266	6,922,266	7,324,668	402,402
Federal aid	-	-	1,727	1,727
Miscellaneous	298,141	298,141	488,180	190,039
Total Revenues	68,350,546	68,350,546	69,404,786	1,054,240
EXPENDITURES				
Current				
General support	9,211,090	9,417,867	8,112,912	1,304,955
Instruction	41,838,036	41,900,463	41,316,105	584,358
Pupil transportation	1,077,655	1,282,655	1,186,752	95,903
Community services	159,312	159,312	105,106	54,206
Employee benefits	16,292,431	15,863,088	15,778,318	84,770
Total Expenditures	68,578,524	68,623,385	66,499,193	2,124,192
Excess (Deficiency) of Rev- enues Over Expenditures	(227,978)	(272,839)	2,905,593	3,178,432
OTHER FINANCING SOURCES (USES)				
Transfers in	350,000	350,000	176,027	(173,973)
Transfers out	(3,479,271)	(3,479,271)	(3,397,865)	81,406
Total Other Financing Sources (Uses)	(3,129,271)	(3,129,271)	(3,221,838)	(92,567)
Net Change in Fund Balances	(3,357,249)	(3,402,110)	(316,245)	3,085,865
FUND BALANCES				
Beginning of Year	3,357,249	3,402,110	16,988,125	13,586,015
End of Year	\$ -	\$ -	\$ 16,671,880	\$ 16,671,880

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

Special Aid Fund

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
105,813	105,813	105,813	-
741,516	774,056	656,017	(118,039)
-	-	-	-
<u>847,329</u>	<u>879,869</u>	<u>761,830</u>	<u>(118,039)</u>
-	-	-	-
850,329	882,869	756,818	126,051
32,000	32,000	31,465	535
-	-	-	-
-	-	-	-
<u>882,329</u>	<u>914,869</u>	<u>788,283</u>	<u>126,586</u>
<u>(35,000)</u>	<u>(35,000)</u>	<u>(26,453)</u>	<u>8,547</u>
35,000	35,000	26,453	8,547
-	-	-	-
<u>35,000</u>	<u>35,000</u>	<u>26,453</u>	<u>8,547</u>
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Pelham Union Free School District, New York

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2017

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 116,093
	<u>116,093</u>
LIABILITIES	
Accounts payable	\$ 293
Student activity funds	115,800
	<u>115,800</u>
Total Liabilities	\$ 116,093
	<u>116,093</u>

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

Note 1 - Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

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

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

B. District-Wide Financial Statements

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

C. Fund Financial Statements

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

Fund Categories

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Special Aid Fund - The Special Aid Fund is used to account for special projects or programs supported in whole or in part with Federal or State funds. The major revenues of this Fund are State and Federal aid.

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

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

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

Special Revenue Funds:

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

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

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Cash and Equivalents, Investments and Risk Disclosure

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

The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

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

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

Note 1 - Summary of Significant Accounting Policies (Continued)

The School District follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the School District does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2017 .

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The School District does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The School District's investment policy limits the amount on deposit at each of its banking institutions.

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

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

Due From/To Other Funds - During the course of its operations, the School District has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2017,

Note 1 - Summary of Significant Accounting Policies (Continued)

balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has reported unearned revenues of \$104,858 for amounts not available for Health Services in the General Fund and \$43,363 for meal deposits in advance in the School Lunch Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

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

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

The School District reported deferred outflows of resources of \$1,067,149 for a deferred loss on refunding bonds in the governmental-wide Statement of Net Position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation leave upon separation from service. The liability for such accumulated leave is reflected in the district-wide statement of net position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured

Note 1 - Summary of Significant Accounting Policies (Continued)

through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

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

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

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

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

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law of the State of New York.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

F. Encumbrances

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

G. Use of Estimates

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

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 21, 2017.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

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

- a) At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- b) At the budget hearing, the voters may raise questions concerning the items contained in the budget.
- c) The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- d) The voters are permitted to vote upon the General Fund budget at the annual meeting.
- e) If the original proposed budget is not approved by the voters, the Board of Education has the option of either resubmitting the original or revising the budget for voter approval at a special meeting held at a later date; or the Board of Education may, at that point, adopt a contingency budget. If the Board of Education decides to submit either the original or a revised budget to the voters for a second time, and the voters do not approve the second budget submittal, the Board of Education must adopt a contingency budget and the tax levy cannot exceed the total tax levy of the prior year (0% levy growth). In addition, the administrative component of the contingency budget shall not comprise a greater percentage of the contingency budget exclusive of the capital component than the lesser of either 1) the percentage the administrative component had comprised in the prior year budget exclusive of the capital component; or 2) the percentage the administrative component had comprised in the last proposed defeated budget exclusive of the capital component.
- f) Formal budgetary integration is employed during the year as a management control device for General and Special Aid funds.
- g) Budgets for General and Special Aid funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the School Lunch, Special Purpose, Permanent or Debt Service funds.
- h) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education, subject to certain thresholds. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in General and Special Aid funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

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

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2017

Note 2 - Stewardship, Compliance and Accountability (Continued)

B. Limitation on Unassigned Fund Balance

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

C. Property Tax Limitation

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

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

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

D. Capital Projects Fund Project Deficits

The deficits in certain individual capital projects arise because of expenditures exceeding current financing on the projects. These deficits will be eliminated with the subsequent receipt or issuance of authorized financing.

Note 3 - Detailed Notes on All Funds

A. Due From/To Other Funds

The balances reflected as due from/to other funds at June 30, 2017 were as follows:

Fund	Due From	Due To
General	\$ 1,084,284	\$ 102,961
Special Aid	-	746,392
Capital Projects	6,300	287,224
Debt Service	104	-
Non-Major Governmental	688,606	642,717
	\$ 1,779,294	\$ 1,779,294

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

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

B. Capital Assets

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

Class	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets, not being depreciated				
Land	\$ 2,167,650	\$ -	\$ -	\$ 2,167,650
Construction-in-Progress	656,461	273,620	656,461	273,620
Total Capital Assets, not being depreciated	<u>\$ 2,824,111</u>	<u>\$ 273,620</u>	<u>\$ 656,461</u>	<u>\$ 2,441,270</u>
Capital Assets, being depreciated				
Buildings and Improvements	\$ 75,833,254	\$ 838,793	\$ -	\$ 76,672,047
Land Improvements	2,851,107	112,150	-	2,963,257
Machinery and Equipment	631,331	126,224	60,224	697,331
Total Capital Assets, being depreciated	<u>79,315,692</u>	<u>1,077,167</u>	<u>60,224</u>	<u>80,332,635</u>
Less Accumulated Depreciation for				
Buildings and Improvements	30,707,230	2,937,982	-	33,645,212
Land Improvements	1,245,046	167,606	-	1,412,652
Machinery and Equipment	419,477	39,385	60,224	398,638
Total Accumulated Depreciation	<u>32,371,753</u>	<u>3,144,973</u>	<u>60,224</u>	<u>35,456,502</u>
Total Capital Assets, being depreciated, net	<u>\$ 46,943,939</u>	<u>\$ (2,067,806)</u>	<u>\$ -</u>	<u>\$ 44,876,133</u>
Capital Assets, net	<u>\$ 49,768,050</u>	<u>\$ (1,794,186)</u>	<u>\$ 656,461</u>	<u>\$ 47,317,403</u>

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

General support	\$ 28,275
Instruction	3,110,732
Cost of food sales	<u>5,966</u>
Total Depreciation Expense	<u>\$ 3,144,973</u>

C. Accrued Liabilities

Accrued liabilities at June 30, 2017 were as follows:

	Fund			Total
	General	Special Aid	Non-Major	
Payroll and Employee Benefits	<u>\$ 290,540</u>	<u>\$ 2,068</u>	<u>\$ 1,298</u>	<u>\$ 293,906</u>

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

D. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2017:

	Balance at July 1, 2016	New Issues/ Additions	Maturities and/or Payments	Balance at June 30, 2017	Due Within One-Year
Bonds Payable	\$ 35,645,000	\$ 9,430,000	\$ 11,765,000	\$ 33,310,000	\$ 2,200,000
Plus - Unamortized premium on bonds	1,810,789	870,112	162,808	2,518,093	-
	<u>37,455,789</u>	<u>10,300,112</u>	<u>11,927,808</u>	<u>35,828,093</u>	<u>2,200,000</u>
Other Non-Current Liabilities					
Compensated Absences	236,661	6,265	64,523	178,403	18,000
Net Pension Liability	2,717,623	1,123,865	-	3,841,488	-
Other Post Employment Benefit Obligations Payable	33,038,535	7,934,533	2,003,372	38,969,696	-
Total Non-Current Liabilities	<u>35,992,819</u>	<u>9,064,663</u>	<u>2,067,895</u>	<u>42,989,587</u>	<u>18,000</u>
Total Long-Term Liabilities	<u>\$ 73,448,608</u>	<u>\$ 19,364,775</u>	<u>\$ 13,995,703</u>	<u>\$ 78,817,680</u>	<u>\$ 2,218,000</u>

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

Bonds Payable

Bonds payable at June 30, 2017 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2017
Reconstruction of School Buildings	2010	\$ 16,029,473	November, 2019	3.000 %	\$ 2,235,000
Reconstruction of School Buildings	2011	7,198,000	October, 2025	2.000 - 3.000	4,625,000
Refunding Bonds	2016	17,150,000	August, 2029	2.000 - 5.000	17,095,000
Refunding Bonds	2017	9,430,000	November, 2029	2.375 - 4.000	9,355,000
					<u>\$ 33,310,000</u>

Interest expenditures of \$950,101 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$933,640 was recorded in the district-wide financial statements.

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Payments to Maturity

The annual requirements to amortize all bonded debt outstanding as of June 30, 2017 including interest payments of \$6,937,050 are as follows:

Year Ending June 30,	Principal	Interest
2018	\$ 2,200,000	\$ 1,107,713
2019	2,290,000	1,024,313
2020	2,370,000	936,197
2021	2,440,000	840,153
2022	2,550,000	736,350
2023-2027	13,720,000	2,021,200
2028-2030	7,740,000	271,124
	<u>\$ 33,310,000</u>	<u>\$ 6,937,050</u>

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

Advance Refunding

During the 2016-2017 fiscal year, the District issued \$9,430,000 serial bonds with interest rates ranging from 2.375% to 4.000%, depending on maturity. The proceeds were used to refund \$9,415,000 of outstanding 2009 School District refunding serial bonds which had interest rates ranging from 3.5% to 4.0%.

The net proceeds of \$10,167,750 (inclusive of the receipt of \$870,112 reoffering premium and after payment of \$132,362 in underwriting fees and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the 2009 serial bonds. As a result, the 2009 serial bonds are considered defeased and the liability for those serial bonds has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$752,750 and the premium received was \$870,112. These amounts are being amortized over the remaining life of the refunded debt. The School District advance refunded the 2009 serial bonds to reduce its total debt service payments over 14 years by \$596,892 and to obtain a net present value economic gain of \$517,150. As of June 30, 2017, \$9,415,000 of the defeased bonds have not yet been called and are still outstanding.

Compensated Absences

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

Note 3 - Detailed Notes on All Funds (Continued)

Pension Plans

Employees' Retirement System

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

The ERS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2017 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
2 75G	19.0 %
4 A15	16.1
5 A15	13.2
6 A15-J1	9.4
6 A15-J2	9.4

At June 30, 2017, the School District reported a liability of \$1,622,792 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. At March 31, 2017, the School District's proportion was .0172707% which was an increase of .0003388% from its proportion measured at March 31, 2016.

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
 June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

For the year ended June 30, 2017, the School District recognized pension expense/expenditures of \$ 937,701 and \$673,144, respectively. The pension expenditure of \$673,144 was charged to the General Fund. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 40,666	\$ 246,430
Changes of assumptions	554,405	-
Net difference between projected and actual earnings on pension plan investments	324,137	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	45,818	3,086
School District contributions subsequent to the measurement date	<u>178,331</u>	<u>-</u>
	<u><u>\$ 1,143,357</u></u>	<u><u>\$ 249,516</u></u>

\$178,331 reported as deferred outflows of resources related to ERS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

<u>Year Ended March 31,</u>	
2018	\$ 323,172
2019	323,172
2020	281,715
2021	(212,549)

The total pension liability for the March 31, 2017 measurement date was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. Significant actuarial assumptions used in the April 1, 2016 valuation were as follows:

Inflation	2.5%
Salary scale	3.8%, indexed by service
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation
Cost of living adjustments	1.3% annually

Note 3 - Detailed Notes on All Funds (Continued)

Annuitant mortality rates are based on the April 1, 2010 - March 31, 2015 ERS's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below.

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	36 %	4.55 %
International Equity	14	6.35
Private Equity	10	7.75
Real Estate	10	5.80
Absolute Return Strategies	2	4.00
Opportunistic Portfolio	3	5.89
Real Assets	3	5.54
Bonds and Mortgages	17	1.31
Cash	1	(0.25)
Inflation Indexed Bonds	4	1.50
	<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.5%.

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
 June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension liability (asset)	<u>\$ 5,182,876</u>	<u>\$ 1,622,792</u>	<u>\$ (1,387,252)</u>

The components of the collective net pension liability of ERS as of the March 31, 2017 measurement date were as follows:

Total pension liability	\$ 177,400,586,000
ERS fiduciary net position	<u>168,004,363,000</u>
Employers' net pension liability	<u>\$ 9,396,223,000</u>
ERS fiduciary net position as a percentage of total pension liability	<u>94.7%</u>

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Accrued retirement contributions to ERS as of June 30, 2017 were \$178,331.

Teachers' Retirement System

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

The TRS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% depending on salary levels for their entire length of service. Pursuant to Article 11 of the Education Law of the State of New York, actuarially determined employer contributions are established annually for the TRS by its Board of Trustees. The employer contribution rate for the plan's year ending in 2017 was 11.72%.

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
 June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

At June 30, 2017, the School District reported a liability of \$2,218,696 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's contributions to the pension plan relative to the contributions of all participating members. At June 30, 2016, the School District's proportion was .207153%, which was a decrease of .003413% from its proportion measured at June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense/expenditure of \$3,702,336 and \$3,933,044, respectively. The pension expenditure of \$3,933,044 was charged to the General Fund. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 720,757
Net difference between projected and actual earnings on pension plan investments	4,988,794	-
Changes in assumptions	12,639,102	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	226,074	13,811
School District contributions subsequent to the measurement date	<u>3,933,296</u>	<u>-</u>
	<u>\$ 21,787,266</u>	<u>\$ 734,568</u>

\$3,933,296 reported as deferred outflows of resources related to TRS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TRS will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	\$ 1,576,754
2018	1,576,754
2019	5,451,190
2020	4,245,740
2021	1,965,411
Thereafter	2,303,553

Note 3 - Detailed Notes on All Funds (Continued)

The total pension liability for the June 30, 2016 measurement date was determined by using an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation	2.5%
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent TRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72 %
15	3.46
25	2.37
35	1.90

Projected COLAs	1.5% compounded annually
Investment rate of return	7.5% compounded annually, net of pension plan investment expense, including inflation

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (“ASOP”) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in TRS’s target asset allocation as of the valuation date of June 30, 2015 are summarized in the following table:

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Asset Class:	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities:		
Domestic equities	37 %	6.10 %
International equities	18	7.30
Real estate	10	5.40
Private equities	<u>7</u>	9.20
Total Equities	<u>72</u>	
Fixed Income:		
Domestic fixed income securities	17	1.00
Global fixed income securities	2	0.80
Mortgages	8	3.10
Short-term	<u>1</u>	0.10
Total Fixed Income	<u>28</u>	
Total	<u>100 %</u>	

*Real rates of return are net of the long-term inflation assumption of 2.1% for 2015.

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

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

	<u>1% Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 28,947,926</u>	<u>\$ 2,218,696</u>	<u>\$ (20,200,382)</u>

Note 3 - Detailed Notes on All Funds (Continued)

The components of the collective net pension liability of TRS as of the June 30, 2016 measurement date were as follows:

Total pension liability	\$ 108,577,184,039
TRS fiduciary net position	<u>107,506,142,099</u>
Employers' net pension liability	<u>\$ 1,071,041,940</u>
TRS fiduciary net position as a percentage of total pension liability	<u>99.01%</u>

Employer and employee contributions for the year ended June 30, 2017 are paid to TRS in the following fiscal year through a state aid intercept or, if state aid is insufficient, through a payment by the School District to TRS. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employers' contribution rate plus employee contributions for the fiscal year as reported to TRS. Accrued retirement contributions to TRS as of June 30, 2017 were \$4,136,705.

Voluntary Defined Contribution Plan

The School District can offer a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the School District will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in this program.

Other Post Employment Benefit Obligations Payable

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

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

Note 3 - Detailed Notes on All Funds (Continued)

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

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

<u>Year Ended June 30,</u>	<u>Medical</u>
2018	6.50 %
2019	6.00
2020	5.50
2021	5.00

The actuarial assumptions included a 4.0% investment rate of return. The amortization basis is the level dollar method with an open amortization approach with 21 years remaining in the amortization period. The unit credit method was used to determine the actuarial value of the assets of the OPEB plan, however, the School District currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the unit credit method.

The number of participants as of June 30, 2017 was as follows:

Active Employees	325
Retired Employees	<u>206</u>
	<u><u>531</u></u>

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Amortization Component	
Actuarial Accrued Liability as of July 1, 2016	\$ 80,633,735
Assets at Market Value	
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 80,633,735</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (active plan members)	<u>\$ 39,068,078</u>
UAAL as a Percentage of Covered Payroll	<u>206.39%</u>
Annual Required Contribution	\$ 8,450,508
Adjustment to Annual Required Contribution	(1,837,516)
Interest on Net OPEB Obligation	<u>1,321,541</u>
Annual OPEB Cost	7,934,533
Contributions Made	<u>(2,003,372)</u>
Increase in Net OPEB Obligation	5,931,161
Net OPEB Obligation - Beginning of Year	<u>33,038,535</u>
Net OPEB Obligation - End of Year	<u>\$ 38,969,696</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 7,934,533	25.2 %	\$ 38,969,696
2016	7,614,403	22.6	33,038,535
2015	7,555,576	24.7	27,148,267

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

E. Revenues and Expenditures

Interfund Transfers

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

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
 June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Transfers Out	Transfers In				Total
	General Fund	Special Aid Fund	Capital Projects Fund	Debt Service Fund	
General Fund	\$ -	\$ 26,453	\$ 71,311	\$ 3,300,101	\$ 3,397,865
Capital Projects Fund	1,027	-	-	-	1,027
Debt Service Fund	175,000	-	-	-	175,000
	<u>\$ 176,027</u>	<u>\$ 26,453</u>	<u>\$ 71,311</u>	<u>\$ 3,300,101</u>	<u>\$ 3,573,892</u>

Transfers are used to 1) move funds from the operating funds to the Debt Service Fund as debt service principal and interest payments become due; 2) move amounts earmarked in the operating funds to fulfill commitments for General, Special Aid and Capital Projects funds expenditures; and 3) move amounts from closed capital projects funded by the General Fund.

F. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Future Capital Projects - the component of net position that has been established in accordance with General Municipal Law to set aside funds to be used for future capital projects.

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

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

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

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

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

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

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

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

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

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

Pelham Union Free School District, New York

Notes to Financial Statements (Continued)
 June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

G. Fund Balances

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	2017					2016				
	General Fund	Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Nonspendable										
Inventories	\$ -	\$ -	\$ -	\$ 3,648	\$ 3,648	\$ -	\$ -	\$ -	\$ 3,844	\$ 3,844
Prepaid expenditures	1,465,083	-	-	-	1,465,083	1,378,282	-	-	-	1,378,282
Permanent Fund	-	-	-	592,839	592,839	-	-	-	592,839	592,839
Total Nonspendable	1,465,083	-	-	596,487	2,061,570	1,378,282	-	-	596,683	1,974,965
Restricted										
Tax certiorari	4,567,311	-	-	-	4,567,311	4,661,150	-	-	-	4,661,150
Unemployment benefits	152,926	-	-	-	152,926	152,793	-	-	-	152,793
Employee benefit accrued liability	178,403	-	-	-	178,403	236,661	-	-	-	236,661
Retirement contributions	2,429,240	-	-	-	2,429,240	2,843,560	-	-	-	2,843,560
Property damage	36,303	-	-	-	36,303	36,271	-	-	-	36,271
Repairs	585,184	-	-	-	585,184	584,640	-	-	-	584,640
Debt service	-	-	1,855,404	-	1,855,404	-	-	1,991,238	-	1,991,238
Capital projects	1,300,677	-	-	-	1,300,677	900,000	217,178	-	-	1,117,178
Special purposes	-	-	-	367,859	367,859	-	-	-	469,509	469,509
Permanent Fund	-	-	-	3,781	3,781	-	-	-	3,473	3,473
Total Restricted	9,250,044	-	1,855,404	371,640	11,477,088	9,415,075	217,178	1,991,238	472,982	12,096,473
Assigned										
Purchases on order										
General government support	645,607	-	-	-	645,607	731,841	-	-	-	731,841
Instruction	78,169	-	-	-	78,169	379,320	-	-	-	379,320
Community services	-	-	-	-	-	8,634	-	-	-	8,634
	723,776	-	-	-	723,776	1,119,795	-	-	-	1,119,795
Subsequent year's expenditures	2,321,780	-	325,000	-	2,646,780	2,237,454	-	350,000	-	2,587,454
School Lunch Fund	-	-	-	343,723	343,723	-	-	-	338,995	338,995
Total Assigned	3,045,556	-	325,000	343,723	3,714,279	3,357,249	-	350,000	338,995	4,046,244
Unassigned	2,911,197	(273,621)	-	-	2,637,576	2,837,519	-	-	-	2,837,519
Total Fund Balances	\$ 16,671,880	\$ (273,621)	\$ 2,180,404	\$ 1,311,850	\$ 19,890,513	\$ 16,988,125	\$ 217,178	\$ 2,341,238	\$ 1,408,660	\$ 20,955,201

Note 3 - Detailed Notes on All Funds (Continued)

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

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

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

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

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

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

Subsequent year's expenditures represent that at June 30, 2017, the Board of Education has assigned the above amounts to be appropriated for the ensuing year's budget.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or assigned. The unassigned deficit in the Capital Projects Fund represents the deficits in the projects.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

The School District is a defendant in a claim from the parents of a disabled child. These parents have filed for due process and are seeking to recover private school tuition, room and board and transportation for their children for the 2013-14 and 2014-15 school years. An Impartial Hearing Officer has ruled in favor of the School District and the parties are engaged in an appeal of the Hearing Officer's decision. If the parents are successful, the School District's damages could exceed \$325,000 including legal fees.

The School District is a defendant in a claim from the parents of a disabled child. These parents brought a request for due process against the School District seeking reimbursement for tuition to a residential school where they unilaterally placed their son. The request for reimbursement covers both the 2016-17 and 2017-18 school year. The hearing process has not yet commenced and it is too early to establish the likelihood of success on the merits. If the parents are successful, the School District's damages could exceed \$300,000 including legal fees.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

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

B. Contingencies

The School District participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Uniform Guidance. Accordingly, the School District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

The School District is subject to audits of State aid by the New York State Education Department. The amount of aid previously paid to the School District which may be disallowed cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

C. Risk Management

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

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

The School District purchases various insurance coverages from the Company to reduce its exposure to loss. The School District maintains a general liability insurance policy with coverage up to \$1 million per occurrence. The School District also maintains liability coverage for school board members up to \$3 million and an excess liability policy with coverage up to \$15 million. Property insurance for fire loss is also maintained for the School District's buildings and contents. In addition, the School District has established a reserve for property damage in the General Fund to be used to cover the deductible portion of property damage insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

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

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

Note 5 - Subsequent Event

The School District, in August 2017, issued serial bonds in the amount of \$3,000,000, the proceeds of which will be used to finance the renovation and construction of improvements to the High School and annex buildings. The bonds mature annually through June 2032 and bear interest at 2.00 - 3.00% depending on maturity.

Pelham Union Free School District, New York

Required Supplementary Information - Schedule of Funding Progress
 Other Post Employment Benefits
 Last Three Fiscal Years

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2016	\$ -	\$ 80,633,735	\$ 80,633,735	- %	39,068,078	206.39 %
July 1, 2015	-	80,633,735	80,633,735	-	37,176,129	216.90
July 1, 2014	-	73,938,258	73,938,258	-	35,722,264	206.98

Pelham Union Free School District, New York

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

	<u>2017 (2)</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability (asset)	<u>0.207153%</u>	<u>0.210566%</u>	<u>0.211503%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 2,218,696</u>	<u>\$ (21,871,083)</u>	<u>\$ (23,560,065)</u>
School District's covered payroll	<u>\$ 31,965,022</u>	<u>\$ 31,599,598</u>	<u>\$ 31,629,851</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>6.94%</u>	<u>69.21%</u>	<u>74.49%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>99.01%</u>	<u>110.46%</u>	<u>111.48%</u>

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

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

(2) The discount rate used to calculate the total pension liability was decreased from 8.0% to 7.5% effective with the June 30, 2016 measurement date.

Pelham Union Free School District, New York

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,933,296	\$ 4,238,562	\$ 5,542,078
Contributions in relation to the contractually required contribution	<u>(3,933,296)</u>	<u>(4,238,562)</u>	<u>(5,542,078)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 33,560,549</u>	<u>\$ 31,965,022</u>	<u>\$ 31,599,598</u>
Contributions as a percentage of covered payroll	<u>11.72%</u>	<u>13.26%</u>	<u>17.54%</u>

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Pelham Union Free School District, New York

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

	<u>2017</u>	<u>2016 (2)</u>	<u>2015</u>
School District's proportion of the net pension liability (asset)	<u>0.0172707%</u>	<u>0.0169319%</u>	<u>0.0168368%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 1,622,792</u>	<u>\$ 2,717,623</u>	<u>\$ 568,787</u>
School District's covered payroll	<u>\$ 4,674,007</u>	<u>\$ 4,338,449</u>	<u>\$ 4,608,844</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>34.72%</u>	<u>62.64%</u>	<u>12.34%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>94.70%</u>	<u>90.70%</u>	<u>97.90%</u>

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

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

Pelham Union Free School District, New York

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 673,144	\$ 723,714	\$ 864,188
Contributions in relation to the contractually required contribution	<u>(673,144)</u>	<u>(723,714)</u>	<u>(864,188)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 4,744,940</u>	<u>\$ 4,294,161</u>	<u>\$ 4,608,844</u>
Contributions as a percentage of covered payroll	<u>14.19%</u>	<u>16.85%</u>	<u>18.75%</u>

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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Pelham Union Free School District, New York

General Fund
 Comparative Balance Sheet
 June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 17,687,927	\$ 19,201,831
Receivables		
Accounts	293	124
State and Federal aid	1,234,512	1,182,979
Due from other governments	1,098,145	1,148,596
Due from other funds	1,084,284	619,287
	<u>3,417,234</u>	<u>2,950,986</u>
Prepaid expenditures	1,465,083	1,378,282
Total Assets	<u>\$ 22,570,244</u>	<u>\$ 23,531,099</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,002,405	\$ 1,239,126
Accrued liabilities	290,540	321,661
Due to other governments	82,564	71,752
Unearned revenues	104,858	273,199
Due to other funds	102,961	2,522
Due to retirement systems	4,315,036	4,634,714
Total Liabilities	<u>5,898,364</u>	<u>6,542,974</u>
Fund balance		
Nonspendable	1,465,083	1,378,282
Restricted	9,250,044	9,415,075
Assigned	3,045,556	3,357,249
Unassigned	2,911,197	2,837,519
Total Fund Balance	<u>16,671,880</u>	<u>16,988,125</u>
Total Liabilities and Fund Balance	<u>\$ 22,570,244</u>	<u>\$ 23,531,099</u>

Pelham Union Free School District, New York

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

	2017				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbrances	
REVENUES					
Real property taxes	\$ 54,789,529	\$ 54,789,529	\$ 54,789,529	\$	\$ -
Other tax items	4,464,571	4,464,571	4,464,571		-
Non-property taxes	625,000	625,000	657,774		32,774
Charges for services	1,209,859	1,209,859	1,596,416		386,557
Use of money and property	41,180	41,180	65,421		24,241
Sale of property and compensation for loss	-	-	16,500		16,500
State aid	6,922,266	6,922,266	7,324,668		402,402
Federal aid	-	-	1,727		1,727
Miscellaneous	298,141	298,141	488,180		190,039
Total Revenues	68,350,546	68,350,546	69,404,786		1,054,240
EXPENDITURES					
Current					
General support					
Board of education	99,709	146,609	119,158	-	27,451
Central administration	584,877	552,028	533,981	-	18,047
Finance	768,669	787,629	731,351	850	55,428
Staff	447,719	480,791	362,225	-	118,566
Central services	6,685,762	6,798,595	5,730,870	643,984	423,741
Special items	624,354	652,215	635,327	773	16,115
Total General Support	9,211,090	9,417,867	8,112,912	645,607	659,348
Instruction					
Instruction, administration and improvement	2,779,652	2,836,326	2,749,774	36,100	50,452
Teaching - Regular school Programs for students with disabilities	26,568,915	26,268,844	26,071,218	31,085	166,541
Instructional media	6,649,319	6,936,591	6,870,543	1,202	64,846
Pupil services	1,324,089	1,279,555	1,193,230	8,057	78,268
	4,516,061	4,579,147	4,431,340	1,725	146,082
Total Instruction	41,838,036	41,900,463	41,316,105	78,169	506,189
Pupil transportation	1,077,655	1,282,655	1,186,752	-	95,903
Community services	159,312	159,312	105,106	-	54,206
Employee benefits	16,292,431	15,863,088	15,778,318	-	84,770
Total Expenditures	68,578,524	68,623,385	66,499,193	723,776	1,400,416
Excess (Deficiency) of Revenues Over Expenditures	(227,978)	(272,839)	2,905,593	(723,776)	2,454,656
OTHER FINANCING SOURCES (USES)					
Transfers in	350,000	350,000	176,027	-	(173,973)
Transfers out	(3,479,271)	(3,479,271)	(3,397,865)	-	81,406
Total Other Financing Uses	(3,129,271)	(3,129,271)	(3,221,838)	-	(92,567)
Net Change in Fund Balance	(3,357,249)	(3,402,110)	(316,245)	\$ (723,776)	\$ 2,362,089
FUND BALANCE					
Beginning of Year	3,357,249	3,402,110	16,988,125		
End of Year	\$ -	\$ -	\$ 16,671,880		

See independent auditors' report.

2016

Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
\$ 54,453,038	\$ 54,453,038	\$ 54,453,038	\$	\$ -
4,770,996	4,770,996	4,770,996		-
575,000	575,000	650,992		75,992
1,100,800	1,100,800	1,289,579		188,779
45,000	45,000	55,221		10,221
-	-	222		222
6,810,030	6,810,030	7,068,488		258,458
-	-	5,496		5,496
249,736	249,736	611,683		361,947
<u>68,004,600</u>	<u>68,004,600</u>	<u>68,905,715</u>		<u>901,115</u>
122,515	122,515	71,249	-	51,266
560,707	594,857	579,943	-	14,914
760,047	770,051	743,545	-	26,506
490,351	484,811	327,368	642	156,801
7,235,030	7,482,949	6,351,105	730,324	401,520
636,535	620,758	592,164	875	27,719
<u>9,805,185</u>	<u>10,075,941</u>	<u>8,665,374</u>	<u>731,841</u>	<u>678,726</u>
2,667,568	2,712,120	2,623,259	28,140	60,721
25,450,027	25,568,691	24,891,305	252,277	425,109
6,165,765	6,271,765	6,120,514	11,659	139,592
1,370,239	1,476,120	1,259,057	82,938	134,125
4,389,764	4,335,296	4,190,433	4,306	140,557
<u>40,043,363</u>	<u>40,363,992</u>	<u>39,084,568</u>	<u>379,320</u>	<u>900,104</u>
1,101,689	1,026,989	840,918	-	186,071
438,203	563,983	514,824	8,634	40,525
16,776,671	16,148,294	15,642,748	-	505,546
<u>68,165,111</u>	<u>68,179,199</u>	<u>64,748,432</u>	<u>1,119,795</u>	<u>2,310,972</u>
<u>(160,511)</u>	<u>(174,599)</u>	<u>4,157,283</u>	<u>(1,119,795)</u>	<u>3,212,087</u>
375,000	375,000	375,000	-	-
(3,721,461)	(3,721,461)	(3,702,273)	-	19,188
<u>(3,346,461)</u>	<u>(3,346,461)</u>	<u>(3,327,273)</u>	<u>-</u>	<u>19,188</u>
<u>(3,506,972)</u>	<u>(3,521,060)</u>	<u>830,010</u>	<u>\$ (1,119,795)</u>	<u>\$ 3,231,275</u>
<u>3,506,972</u>	<u>3,521,060</u>	<u>16,158,115</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,988,125</u>		

Pelham Union Free School District, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	\$ 54,789,529	\$ 54,789,529	\$ 54,789,529	\$ -
OTHER TAX ITEMS				
School tax relief reimbursement	4,464,571	4,464,571	4,464,571	-
NON-PROPERTY TAXES				
Non-property tax distribution from County	625,000	625,000	657,774	32,774
CHARGES FOR SERVICES				
Day school tuition	1,003,859	1,003,859	1,280,778	276,919
Youth services for other districts	50,000	50,000	60,568	10,568
Health services for other districts	156,000	156,000	255,070	99,070
	1,209,859	1,209,859	1,596,416	386,557
USE OF MONEY AND PROPERTY				
Earnings on investments	10,000	10,000	23,675	13,675
Rental of real property	31,180	31,180	41,746	10,566
	41,180	41,180	65,421	24,241
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Insurance recoveries	-	-	16,500	16,500

STATE AID

Basic formula	6,922,266	6,922,266	4,393,228	(2,529,038)
Lottery aid	-	-	1,242,577	1,242,577
Tuition aid	-	-	75,941	75,941
Textbook aid	-	-	169,508	169,508
Computer software aid	-	-	66,149	66,149
BOCES aid	-	-	1,308,615	1,308,615
Library loan program	-	-	18,650	18,650
Other	-	-	50,000	50,000
	<u>6,922,266</u>	<u>6,922,266</u>	<u>7,324,668</u>	<u>402,402</u>

FEDERAL AID

Medicaid assistance	-	-	1,727	1,727
	<u>-</u>	<u>-</u>	<u>1,727</u>	<u>1,727</u>

MISCELLANEOUS

Refund of prior year's expenditures	50,000	50,000	170,672	120,672
Arts in education	150,000	150,000	182,080	32,080
Refund of BOCES aided services	60,000	60,000	95,521	35,521
Other	38,141	38,141	39,907	1,766
	<u>298,141</u>	<u>298,141</u>	<u>488,180</u>	<u>190,039</u>

TOTAL REVENUES

	<u>68,350,546</u>	<u>68,350,546</u>	<u>69,404,786</u>	<u>1,054,240</u>
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OTHER FINANCING SOURCES

Transfers in				
Capital Projects Fund	-	-	1,027	1,027
Debt Service Fund	350,000	350,000	175,000	(175,000)
	<u>350,000</u>	<u>350,000</u>	<u>176,027</u>	<u>(173,973)</u>

TOTAL REVENUES AND**OTHER FINANCING SOURCES**

	<u>\$ 68,700,546</u>	<u>\$ 68,700,546</u>	<u>\$ 69,580,813</u>	<u>\$ 880,267</u>
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See independent auditors' report.

Pelham Union Free School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 77,209	\$ 124,109	\$ 108,738	\$ -	\$ 15,371
District meeting	22,500	22,500	10,420	-	12,080
Total Board of Education	<u>99,709</u>	<u>146,609</u>	<u>119,158</u>	<u>-</u>	<u>27,451</u>
CENTRAL ADMINISTRATION					
Chief school administration	584,877	552,028	533,981	-	18,047
FINANCE					
Business administration	695,019	713,979	664,941	850	48,188
Auditing	73,650	73,650	66,410	-	7,240
Total Finance	<u>768,669</u>	<u>787,629</u>	<u>731,351</u>	<u>850</u>	<u>55,428</u>
STAFF					
Legal	225,000	225,000	112,922	-	112,078
Personnel	222,719	212,791	206,803	-	5,988
Public information and service	-	43,000	42,500	-	500
Total Staff	<u>447,719</u>	<u>480,791</u>	<u>362,225</u>	<u>-</u>	<u>118,566</u>
CENTRAL SERVICES					
Operation and maintenance of plant	6,685,762	6,798,595	5,730,870	643,984	423,741

SPECIAL ITEMS

Unallocated insurance	300,000	283,000	277,931	-	5,069
School association dues	24,875	24,875	22,024	773	2,078
Assessments on school property	66,800	66,800	57,832	-	8,968
Refunds of real property taxes	-	44,861	44,861	-	-
Administrative charge - BOCES	232,679	232,679	232,679	-	-

Total Special Items	<u>624,354</u>	<u>652,215</u>	<u>635,327</u>	<u>773</u>	<u>16,115</u>
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Total General Support	<u>9,211,090</u>	<u>9,417,867</u>	<u>8,112,912</u>	<u>645,607</u>	<u>659,348</u>
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INSTRUCTION**INSTRUCTION, ADMINISTRATION
AND IMPROVEMENT**

Curriculum development and supervision	124,733	147,233	141,188	1,643	4,402
Supervision - Regular school	2,337,877	2,372,051	2,329,016	1,071	41,964
Research, planning and evaluation	49,620	49,620	19,691	29,617	312
In-service training - Instruction	267,422	267,422	259,879	3,769	3,774

Total Instruction, Administration and Improvement	<u>2,779,652</u>	<u>2,836,326</u>	<u>2,749,774</u>	<u>36,100</u>	<u>50,452</u>
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TEACHING - REGULAR SCHOOL	<u>26,568,915</u>	<u>26,268,844</u>	<u>26,071,218</u>	<u>31,085</u>	<u>166,541</u>
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PROGRAMS FOR STUDENTS WITH DISABILITIES	<u>6,649,319</u>	<u>6,936,591</u>	<u>6,870,543</u>	<u>1,202</u>	<u>64,846</u>
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INSTRUCTIONAL MEDIA

Computer assisted instruction	635,815	637,441	559,326	6,515	71,600
School library and audiovisual	688,274	642,114	633,904	1,542	6,668

Total Instructional Media	<u>1,324,089</u>	<u>1,279,555</u>	<u>1,193,230</u>	<u>8,057</u>	<u>78,268</u>
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(Continued)

Pelham Union Free School District, New York

General Fund

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

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
PUPIL SERVICES					
Attendance - Regular school	\$ 605,727	\$ 622,464	\$ 604,659	\$ -	\$ 17,805
Guidance - Regular school	1,546,290	1,536,993	1,472,057	-	64,936
Health services - Regular school	560,990	599,136	595,959	-	3,177
Psychological services - Regular school	746,019	753,519	742,051	-	11,468
Co-Curricular activities - Regular school	206,350	206,350	196,953	-	9,397
Interscholastic activities - Regular school	850,685	860,685	819,661	1,725	39,299
Total Pupil Services	4,516,061	4,579,147	4,431,340	1,725	146,082
Total Instruction	41,838,036	41,900,463	41,316,105	78,169	506,189
PUPIL TRANSPORTATION					
Pupil transportation	1,077,655	1,282,655	1,186,752	-	95,903
COMMUNITY SERVICES					
Recreation and other community services	159,312	159,312	105,106	-	54,206

EMPLOYEE BENEFITS

State retirement	793,575	702,575	673,144	-	29,431
Teachers' retirement	4,046,568	3,936,068	3,933,044	-	3,024
Social security	2,941,817	2,851,817	2,835,487	-	16,330
Workers' compensation benefits	265,111	270,411	270,409	-	2
Unemployment benefits	20,000	15,700	12,060	-	3,640
Health insurance	7,655,360	7,381,017	7,348,841	-	32,176
Employee benefit fund	510,000	532,000	531,907	-	93
Other unallocated benefits	60,000	173,500	173,426	-	74

Total Employee Benefits	<u>16,292,431</u>	<u>15,863,088</u>	<u>15,778,318</u>	<u>-</u>	<u>84,770</u>
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TOTAL EXPENDITURES	<u>68,578,524</u>	<u>68,623,385</u>	<u>66,499,193</u>	<u>723,776</u>	<u>1,400,416</u>
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OTHER FINANCING USES

Transfers out					
Special Aid Fund	35,000	35,000	26,453	-	8,547
Capital Projects Fund	75,000	75,000	71,311	-	3,689
Debt Service Fund	3,369,271	3,369,271	3,300,101	-	69,170

TOTAL OTHER FINANCING USES	<u>3,479,271</u>	<u>3,479,271</u>	<u>3,397,865</u>	<u>-</u>	<u>81,406</u>
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TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 72,057,795</u>	<u>\$ 72,102,656</u>	<u>\$ 69,897,058</u>	<u>\$ 723,776</u>	<u>\$ 1,481,822</u>
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See independent auditors' report.

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Pelham Union Free School District, New York

Special Aid Fund
Comparative Balance Sheet
June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 102,944	\$ 22,726
State and Federal aid receivable	<u>653,301</u>	<u>601,463</u>
 Total Assets	 <u>\$ 756,245</u>	 <u>\$ 624,189</u>
 LIABILITIES		
Accounts payable	\$ 7,785	\$ 5,203
Accrued liabilities	2,068	2,219
Due to other funds	<u>746,392</u>	<u>616,767</u>
 Total Liabilities	 <u>\$ 756,245</u>	 <u>\$ 624,189</u>

See independent auditors' report.

Pelham Union Free School District, New York

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

	2017			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State aid	\$ 105,813	\$ 105,813	\$ 105,813	\$ -
Federal aid	741,516	774,056	656,017	(118,039)
Total Revenues	<u>847,329</u>	<u>879,869</u>	<u>761,830</u>	<u>(118,039)</u>
EXPENDITURES				
Current				
Instruction	850,329	882,869	756,818	126,051
Pupil transportation	<u>32,000</u>	<u>32,000</u>	<u>31,465</u>	<u>535</u>
Total Expenditures	<u>882,329</u>	<u>914,869</u>	<u>788,283</u>	<u>126,586</u>
Deficiency of Revenues Over Expenditures	(35,000)	(35,000)	(26,453)	8,547
OTHER FINANCING SOURCES				
Transfers in	<u>35,000</u>	<u>35,000</u>	<u>26,453</u>	<u>(8,547)</u>
Net Change in Fund Balance	-	-	-	-
FUND BALANCE				
Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

2016

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 103,254	\$ 103,254	\$ 103,254	\$ -
730,712	767,894	640,457	(127,437)
<u>833,966</u>	<u>871,148</u>	<u>743,711</u>	<u>(127,437)</u>
835,466	872,648	731,923	140,725
43,500	43,500	37,601	5,899
<u>878,966</u>	<u>916,148</u>	<u>769,524</u>	<u>146,624</u>
(45,000)	(45,000)	(25,813)	19,187
<u>45,000</u>	<u>45,000</u>	<u>25,813</u>	<u>(19,187)</u>
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Pelham Union Free School District, New York

Capital Projects Fund
Comparative Balance Sheet
June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 74,101	\$ 237,894
Due from other funds	<u>6,300</u>	<u>-</u>
Total Assets	<u>\$ 80,401</u>	<u>\$ 237,894</u>
LIABILITIES AND FUND BALANCE (DEFICIT)		
Liabilities		
Accounts payable	\$ 66,798	\$ 20,702
Due to other funds	<u>287,224</u>	<u>14</u>
Total Liabilities	<u>354,022</u>	<u>20,716</u>
Fund balance (deficit)		
Restricted	-	217,178
Unassigned	<u>(273,621)</u>	<u>-</u>
Total Fund Balance (Deficit)	<u>(273,621)</u>	<u>217,178</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 80,401</u>	<u>\$ 237,894</u>

See independent auditors' report.

Pelham Union Free School District, New York

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

	<u>2017</u>	<u>2016</u>
REVENUES	\$ -	\$ -
EXPENDITURES		
Capital outlay	<u>561,083</u>	<u>258,308</u>
Deficiency of Revenues Over Expenditures	<u>(561,083)</u>	<u>(258,308)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	71,311	75,000
Transfers out	<u>(1,027)</u>	<u>-</u>
Total Other Financing Sources	<u>70,284</u>	<u>75,000</u>
Net Change in Fund Balance	(490,799)	(183,308)
FUND BALANCE (DEFICIT)		
Beginning of Year	<u>217,178</u>	<u>400,486</u>
End of Year	<u><u>\$ (273,621)</u></u>	<u><u>\$ 217,178</u></u>

See independent auditors' report.

Pelham Union Free School District, New York

Capital Projects Fund
 Project-Length Schedule

Inception of Project Through June 30, 2017

Project	Project Authorization	Expenditures and Transfers to Date		
		Prior Years	Current Year	Total
Safety and Security Project	\$ 800,000	\$ 656,460	\$ 143,540	\$ 800,000
Colonial Playground	112,150	-	112,150	112,150
Hutchinson Facade Stabilization	32,799	-	32,799	32,799
High School Locker Rooms	2,600,000	-	87,258	87,258
High School Electrical Panels	400,000	-	41,363	41,363
Prospect Hill Fire Escape Replacement	175,000	-	145,000	145,000
Totals	\$ 4,119,949	\$ 656,460	\$ 562,110	\$ 1,218,570

See independent auditors' report.

Unexpended Balance	Method of Financing Interfund Transfers	Fund Balance (Deficit) at June 30, 2017
\$ -	\$ 800,000	\$ -
-	112,150	-
-	32,799	-
2,512,742	-	(87,258)
358,637	-	(41,363)
30,000	-	(145,000)
\$ 2,901,379	\$ 944,949	\$ (273,621)

Pelham Union Free School District, New York

Debt Service Fund
Comparative Balance Sheet
June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 2,180,300	\$ 2,341,224
Due from other funds	<u>104</u>	<u>14</u>
Total Assets	<u>\$ 2,180,404</u>	<u>\$ 2,341,238</u>
FUND BALANCE		
Restricted	\$ 1,855,404	\$ 1,991,238
Assigned	<u>325,000</u>	<u>350,000</u>
Total Fund Balance	<u>\$ 2,180,404</u>	<u>\$ 2,341,238</u>

See independent auditors' report.

Pelham Union Free School District, New York

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

	2017	2016
REVENUES		
Use of money and property	\$ 2,072	\$ 1,917
Miscellaneous	12,094	-
Total Revenues	14,166	1,917
EXPENDITURES		
Debt service		
Refunding bond issuance costs	132,362	161,026
Principal		
Installment purchase debt	-	17,404
Serial bonds	2,350,000	2,140,000
Interest		
Serial bonds	950,101	1,444,056
Total Expenditures	3,432,463	3,762,486
Deficiency of Revenues Over Expenditures	(3,418,297)	(3,760,569)
OTHER FINANCING SOURCES (USES)		
Refunding bonds issued	9,430,000	17,150,000
Payment to refunded bond escrow agent	(10,167,750)	(18,799,763)
Issuance premium	870,112	1,810,789
Transfers in	3,300,101	3,601,460
Transfers out	(175,000)	(375,000)
Total Other Financing Sources	3,257,463	3,387,486
Net Change in Fund Balance	(160,834)	(373,083)
FUND BALANCE		
Beginning of Year	2,341,238	2,714,321
End of Year	<u>\$ 2,180,404</u>	<u>\$ 2,341,238</u>

See independent auditors' report.

Pelham Union Free School District, New York

Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2017
 (With Comparative Totals for 2016)

	School Lunch	Special Purpose	Permanent
ASSETS			
Cash and equivalents	\$ 389,169	\$ 1,049,648	\$ -
Receivables			
Accounts	3,094	-	-
State and Federal aid	8,417	-	-
Due from other funds	91,225	615	596,766
	<u>102,736</u>	<u>615</u>	<u>596,766</u>
Inventories	<u>3,648</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 495,553</u>	<u>\$ 1,050,263</u>	<u>\$ 596,766</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 103,317	\$ 39,687	\$ 146
Accrued liabilities	1,298	-	-
Due to other governments	204	-	-
Unearned revenues	43,363	-	-
Due to other funds	-	642,717	-
Total Liabilities	<u>148,182</u>	<u>682,404</u>	<u>146</u>
Fund balances			
Nonspendable	3,648	-	592,839
Restricted	-	367,859	3,781
Assigned	343,723	-	-
Total Fund Balances	<u>347,371</u>	<u>367,859</u>	<u>596,620</u>
Total Liabilities and Fund Balances	<u>\$ 495,553</u>	<u>\$ 1,050,263</u>	<u>\$ 596,766</u>

See independent auditors' report.

Total Non-Major
Governmental Funds

2017	2016
\$ 1,438,817	\$ 1,561,368
3,094	2,723
8,417	9,538
688,606	596,475
700,117	608,736
3,648	3,844
<u>\$ 2,142,582</u>	<u>\$ 2,173,948</u>

\$ 143,150	\$ 126,954
1,298	229
204	211
43,363	41,421
642,717	596,473
830,732	765,288

596,487	596,683
371,640	472,982
343,723	338,995
1,311,850	1,408,660
<u>\$ 2,142,582</u>	<u>\$ 2,173,948</u>

Pelham Union Free School District, New York

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2017
(With Comparative Totals for 2016)

	School Lunch	Special Purpose	Permanent
REVENUES			
Use of money and property	\$ 225	\$ 169	\$ 308
State aid	9,342	-	-
Federal aid	159,483	-	-
Food sales	596,911	-	-
Miscellaneous	4,164	334,450	-
	<u>770,125</u>	<u>334,619</u>	<u>308</u>
EXPENDITURES			
Current			
Cost of food sales	765,593	-	-
Other	-	436,269	-
	<u>765,593</u>	<u>436,269</u>	<u>-</u>
Total Expenditures	<u>765,593</u>	<u>436,269</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	4,532	(101,650)	308
FUND BALANCES			
Beginning of Year	<u>342,839</u>	<u>469,509</u>	<u>596,312</u>
End of Year	<u>\$ 347,371</u>	<u>\$ 367,859</u>	<u>\$ 596,620</u>

See independent auditors' report.

Total Non-Major
Governmental Funds

<u>2017</u>	<u>2016</u>
\$ 702	\$ 469
9,342	9,236
159,483	165,659
596,911	571,832
<u>338,614</u>	<u>438,255</u>
<u>1,105,052</u>	<u>1,185,451</u>
765,593	662,007
<u>436,269</u>	<u>263,245</u>
<u>1,201,862</u>	<u>925,252</u>
(96,810)	260,199
<u>1,408,660</u>	<u>1,148,461</u>
<u>\$ 1,311,850</u>	<u>\$ 1,408,660</u>

Pelham Union Free School District, New York

School Lunch Fund
Comparative Balance Sheet
June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 389,169	\$ 476,986
Receivables		
Accounts	3,094	2,723
State and Federal aid	8,417	9,538
Due from other funds	91,225	-
	<u>102,736</u>	<u>12,261</u>
Inventories	<u>3,648</u>	<u>3,844</u>
Total Assets	<u>\$ 495,553</u>	<u>\$ 493,091</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 103,317	\$ 108,391
Accrued liabilities	1,298	229
Due to other governments	204	211
Unearned revenues	43,363	41,421
Total Liabilities	<u>148,182</u>	<u>150,252</u>
Fund balance		
Nonspendable	3,648	3,844
Assigned	343,723	338,995
Total Fund Balance	<u>347,371</u>	<u>342,839</u>
Total Liabilities and Fund Balance	<u>\$ 495,553</u>	<u>\$ 493,091</u>

See independent auditors' report.

Pelham Union Free School District, New York

School Lunch Fund

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

	<u>2017</u>	<u>2016</u>
REVENUES		
Use of money and property	\$ 225	\$ 163
State aid	9,342	9,236
Federal aid	159,483	165,659
Food sales	596,911	571,832
Miscellaneous	4,164	-
	<u>770,125</u>	<u>746,890</u>
Total Revenues	770,125	746,890
EXPENDITURES		
Current		
Cost of food sales	<u>765,593</u>	<u>662,007</u>
	4,532	84,883
Excess of Revenues Over Expenditures	4,532	84,883
FUND BALANCE		
Beginning of Year	<u>342,839</u>	<u>257,956</u>
End of Year	<u>\$ 347,371</u>	<u>\$ 342,839</u>

See independent auditors' report.

Pelham Union Free School District, New York

Special Purpose Fund
Comparative Balance Sheet
June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 1,049,648	\$ 1,084,382
Due from other funds	615	17
	<hr/>	<hr/>
Total Assets	<u>\$ 1,050,263</u>	<u>\$ 1,084,399</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 39,687	\$ 18,417
Due to other funds	642,717	596,473
	<hr/>	<hr/>
Total Liabilities	682,404	614,890
Fund balance		
Restricted	<hr/> 367,859	<hr/> 469,509
	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$ 1,050,263</u>	<u>\$ 1,084,399</u>

See independent auditors' report.

Pelham Union Free School District, New York

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

	<u>2017</u>	<u>2016</u>
REVENUES		
Use of money and property	\$ 169	\$ 77
Miscellaneous	<u>334,450</u>	<u>438,255</u>
Total Revenues	334,619	438,332
EXPENDITURES		
Current		
Other	<u>436,269</u>	<u>262,949</u>
Excess (Deficiency) of Revenues Over Expenditures	(101,650)	175,383
FUND BALANCE		
Beginning of Year	<u>469,509</u>	<u>294,126</u>
End of Year	<u><u>\$ 367,859</u></u>	<u><u>\$ 469,509</u></u>

See independent auditors' report.

Pelham Union Free School District, New York

Permanent Fund
Comparative Balance Sheet
June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Due from other funds	<u>\$ 596,766</u>	<u>\$ 596,458</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	<u>\$ 146</u>	<u>\$ 146</u>
Fund balance		
Nonspendable	592,839	592,839
Restricted	<u>3,781</u>	<u>3,473</u>
Total Fund Balance	<u>596,620</u>	<u>596,312</u>
Total Liabilities and Fund Balance	<u>\$ 596,766</u>	<u>\$ 596,458</u>

See independent auditors' report.

Pelham Union Free School District, New York

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

	<u>2017</u>	<u>2016</u>
REVENUES		
Use of money and property	\$ 308	\$ 229
EXPENDITURES		
Other	<u>-</u>	<u>296</u>
Excess (Deficiency) of Revenues over Expenditures	308	(67)
FUND BALANCE		
Beginning of Year	<u>596,312</u>	<u>596,379</u>
End of Year	<u><u>\$ 596,620</u></u>	<u><u>\$ 596,312</u></u>

See independent auditors' report.

Pelham Union Free School District, New York

General Fund

Analysis of Change from Adopted Budget to Final Budget

Year Ended June 30, 2017

Adopted budget		\$ 70,938,000
Additions		
Encumbrances		<u>1,119,795</u>
Original Budget		72,057,795
Budget amendments		<u>44,861</u>
Final Budget		<u><u>\$ 72,102,656</u></u>

General Fund

Section 1318 of Real Property Tax Law Limit Calculation

Year Ended June 30, 2017

2017-18 Expenditure Budget		<u>\$ 72,780,000</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		
Unrestricted fund balance		
Assigned fund balance	3,045,556	
Unassigned fund balance	<u>2,911,197</u>	
Total Unrestricted Fund Balance	<u>5,956,753</u>	
Less		
Appropriated for subsequent year's budget	2,321,780	
Encumbrances	<u>723,776</u>	
Total Adjustments	<u>3,045,556</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$ 2,911,197</u></u>
Actual Percentage		<u><u>4.00%</u></u>

See independent auditors' report.

Pelham Union Free School District, New York

Schedule of Net Investment
in Capital Assets
Year Ended June 30, 2017

Capital assets, net	\$ 47,317,403
Less	
Bonds payable	(33,310,000)
Unamortized portion of premium and loss on refunding bonds	<u>(1,450,944)</u>
Net investment in capital assets	<u>\$ 12,556,459</u>

See independent auditors' report.

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pelham Union Free School District, New York ("School District") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 21, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

September 21, 2017

**Report on Compliance For Each Major Federal Program and Report on
Internal Control Over Compliance Required by
the Uniform Guidance**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited Pelham Union Free School District, New York's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2017. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

September 21, 2017

Pelham Union Free School District, New York

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number (1)</u>	<u>Passed Through to Sub- recipients</u>	<u>Federal Program Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Indirect Programs - Passed through New York State Department of Education				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	10.553	N/A	\$ -	\$ 6,349
National School Lunch Program - Commodities	10.555	N/A	-	34,571
National School Lunch Program - Cash	10.555	N/A	-	118,563
Total U.S. Department of Agriculture			-	159,483
<u>U.S. Department of Education</u>				
Indirect Programs - Passed through New York State Department of Education				
Title I Grants to Local Educational Agencies	84.010	021-16-3780	-	33,460
Title I Grants to Local Educational Agencies	84.010	021-17-3780	-	41,866
			-	75,326
<i>Special Education - Cluster (IDEA)</i>				
Special Education - Grants to States	84.027	032-17-1089	-	520,305
Special Education - Preschool Grants	84.173	033-17-1089	-	9,468
			-	529,773
Supporting Effective Instruction State Grants	84.367	147-16-3780	-	5,394
Supporting Effective Instruction State Grants	84.367	147-17-3780	-	45,524
			-	50,918
Total U.S. Department of Education			-	656,017
Total Expenditures of Federal Awards			\$ -	\$ 815,500

(1) Catalog of Federal Domestic Assistance number.
N/A - Information not available.

The accompanying notes are an integral part of this schedule.

Pelham Union Free School District, New York

Notes to Schedule of Expenditures of Federal Awards
June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Pelham Union Free School District, New York ("School District") under programs of the federal government for the year ended June 30, 2017. Federal awards received directly from the Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Pass-through identifying numbers are presented where available.

Pelham Union Free School District, New York

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

None

Pelham Union Free School District, New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

___ Yes X No
___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

___ Yes X No
___ Yes X None reported

Type of auditors' report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ Yes X No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027
84.173

Special Education Cluster:
Special Education – Grants to States
Special Education – Preschool Grants

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

\$750,000
X Yes ___ No

Pelham Union Free School District, New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None