

Chappaqua Central School District, New York

Financial Statements and
Supplementary Information

Year Ended June 30, 2018

Chappaqua Central School District, New York

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
District-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of Governmental Funds Balance Sheet to the District-Wide Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Aid Funds	23
Statement of Assets and Liabilities - Fiduciary Fund	25
Notes to Financial Statements	26
Required Supplementary Information	
Other Post Employment Benefits	
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios	55
New York State Teachers' Retirement System	
Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset)	56
Schedule of Contributions	57
New York State and Local Employees Retirement System	
Schedule of the School District's Proportionate Share of the Net Pension Liability	58
Schedule of Contributions	59
Combining and Individual Fund Financial Statements and Schedules	
Major Governmental Funds	
General Fund	
Comparative Balance Sheet	60
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	61
Schedule of Revenues and Other Financing Sources Compared to Budget	63
Schedule of Expenditures and Other Financing Uses Compared to Budget	65
Special Aid Fund	
Comparative Balance Sheet	69
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	70
Capital Projects Fund	
Comparative Balance Sheet	72
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	73
Project-Length Schedule	74

Chappaqua Central School District, New York

Table of Contents (Concluded)

Non-Major Governmental Funds	
Combining Balance Sheet	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	77
School Lunch Fund	
Comparative Balance Sheet	78
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	79
Special Purpose Fund	
Comparative Balance Sheet	80
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	81
Supplementary Information	
Analysis of Change from Adopted Budget to Final Budget	82
Section 1318 of Real Property Tax Law Limit Calculation	82
Schedule of Net Investment in Capital Assets	83
Federal Programs	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	86
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	88
Schedule of Expenditures of Federal Awards	90
Notes to Schedule of Expenditures of Federal Awards	91
Schedule of Findings and Questioned Costs	92
Summary Schedule of Prior Audit Findings	93

Independent Auditors' Report

**The Board of Education of the
Chappaqua Central 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 Chappaqua Central School District, New York ("School District") as of and for the year ended June 30, 2018, 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, 2018, 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.

Emphasis of Matter

We draw attention to Note 2E and Note 3D in the notes to financial statements which disclose the effects of the School District's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. Our opinion is not modified with respect to this matter.

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, 2018 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 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, 2018 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, 2018 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, 2018.

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, 2017 (not presented herein), and issued our report thereon dated September 15, 2017, 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, 2017 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 2017 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2017 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, 2017.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018 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 14, 2018

(This page intentionally left blank)

Chappaqua Central School District, New York

Management's Discussion and Analysis ("MD&A") June 30, 2018

Introduction

This discussion and analysis of the Chappaqua Central School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. It should be read in conjunction with the basic financial statements which immediately follow this section.

The substantial change in the District's net position was due to the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* which reflects the combination of full accrual (recognition) of other postemployment benefits ("OPEB"), rather than an amortized amount reported under GASB Statement No. 45 plus the use of prescribed requirements under GASB Statement No. 75 (e.g., lower discount rate for calculating the OPEB liabilities, prescribed actuarial cost method, etc.) that further increase reported liabilities. This is a one-time financial reporting adjustment that all municipalities nationally, including school districts, are required to implement when reporting liabilities under GASB. The underlying benefit obligations and promises to retirees has not changed since the prior year's audit report with obligations reflecting employees, including individuals retired and receiving benefits from the District for many years. The current valuation reflects employees that have retired more than twenty-five years ago and employees hired dating back to the 1960s. As a result, the net position of the District changed from a positive \$97,876,938 to a negative \$69,470,808. This change, which is consistent with other municipalities, was purely to meet a reporting requirement and has no impact on the current financial position of the District. The District's financial position is stronger than last year.

Financial Highlights

Key financial highlights for fiscal year 2017-18 are as follows:

- New York State Law limits the amount of unassigned (formerly known as unreserved) fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. At the end of the current fiscal year the unassigned fund balance of the General Fund is \$4,902,400. The unassigned fund balance of the General Fund is 4.0% of the 2018-19 budget which is in compliance with the 4% statutory limit. This amount is available for spending at the discretion of the School District.
- The School District's overall fund balance increased from \$20,436,105 to \$56,362,096, \$34,562,112 of which was in the Capital Projects Fund. These funds are the funds borrowed for the capital projects that the District is undertaking and still available at the end of June 30, 2018.
- The School District's General Fund balance increased by \$1,289,563, from \$22,653,188 to \$23,942,751. However, \$2,555,818 of the fund balance from the General Fund has been assigned (appropriated) for the subsequent year's budget to reduce the tax levy increase. During the last fiscal year, \$2,000,000 was assigned for the same purpose.
- On the district-wide financial statements, the liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the District (net position) at the close

of the fiscal year by \$69,470,808 versus last year's when the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$97,876,938. The District's total net position decreased by \$167,347,746 for the year ended June 30, 2018. Fiscal year July 1, 2017 to June 30, 2018 is the first year of implementation of GASB Statement No. 75, and therefore, District's net position looks drastically different from prior years. At this point, the District is not able to fund such liability even if it wanted to. The major changes for GASB Statement No. 75 vs. GASB Statement No. 45 is the reporting of liability. Under GASB 45, the District reported the net OPEB Obligation. Now, under GASB Statement No. 75, the District must report the entire unfunded accrued liability. In reality, the financial condition of the district is similar to prior years with no major changes. Also, this liability is for reporting and disclosure purposes rather than for funding purpose.

- At the May budget vote, the District posted a proposition to the voters seeking approval to establish a Capital Reserve Fund. The voters approved this proposition and this reserve fund was established by the Board of Education. The purpose of this fund is to set aside funds to pay for future construction and renovation of district facilities and hopefully will smooth out future years' budget so they will not be impacted by capital needs. This year's favorable financial operations permitted the district to have an ending balance of \$1,565,198 for this new reserve fund. A portion of this balance was a transfer of funds from the Reserve for Unemployment Benefits.

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 the financial statements. This report also contains 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 School District's finances, in a manner similar to a private-sector business.
 - The statement of net position presents information on all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two 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 School 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, other, interest and general administrative 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 School 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 five individual governmental funds; General Fund, Special Aid Fund, Capital Projects Fund, School Lunch Fund and Special Purpose Fund. For this reporting purpose, the School Lunch Fund and Special Purpose Fund are combined into "Non-Major Governmental Funds". 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 and Capital Projects funds, since the District has elected to report them as major funds.
- The District adopts an annual budget for its General Fund. Budgets are developed for the Special Aid Fund. A budgetary comparison statement has been provided for the General Fund and the Special Aid Fund within the basic financial statements to demonstrate compliance with the respective budgets.
- Fiduciary Funds are used to account for assets held by the School District in an agency capacity: assets held by the School District on behalf of others. Fiduciary funds are not reflected in the District-wide financial statements because the resources of these funds are not available to support the School 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 the 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 the financial statements can be found following the basic financial statements section of this report.

The Chappaqua Central School District completed its valuation of costs for post employment benefits obligation in accordance with Government Accounting Standards Board ("GASB") Statements No. 43 & 45 for the fiscal year July 1, 2017 to June 30, 2018 based on the input of qualified actuaries. The opinion formed by such actuaries and the underlying actuarial methods, considerations, and analyses conform to the appropriate Standards of Practice and Guidelines of the Actuarial Standards Board. We believe that the assumptions used for the valuation and the reporting of results are consistent with assumptions, benefits and provisions for similar school districts in the county of Westchester, the state of New York and nationally. The actuarial report also includes results under various scenarios based on different assumptions for key factors such as healthcare cost inflation, future retirees contribution rates and discount rates, which by their nature are estimates and subject to change. A change in one or more of these factors could have a significant effect on the valuation

of the unfunded accrued liability and the difference could be material. More detailed information about the District's "Other Post Employment Benefit Obligations" is presented in the notes to the financial statements (Note 3D - Long-Term Liabilities – Other Post Employment Benefit Obligations).

For the full GASB Statement No. 75 report, please visit the District website at:

[https://www.ccsd.ws/uploaded/CCSD/Departments/Business Office/Financial Legal/GASB 75 2017-07-01 to 2018-06-30.pdf](https://www.ccsd.ws/uploaded/CCSD/Departments/Business%20Office/Financial%20Legal/GASB%2075%202017-07-01%20to%202018-06-30.pdf)

District-Wide Financial Analysis

In the past, Net position served over time as a useful indicator of the District's financial position. However, due to the implementation of GASB Statement No. 75 for the first time, there is no comparison of such data. For illustrative purposes, District's actuary consultant prepared a detailed report regarding this matter illustrated the comparison and cited the primary drivers of the liability increase from year to year.

Net Position

	June 30,	
	2018	2017
ASSETS		
Current Assets	\$ 68,474,299	\$ 29,632,344
Capital Assets, net	120,548,049	113,152,225
Total Assets	189,022,348	142,784,569
DEFERRED OUTFLOWS OF RESOURCES	37,002,721	38,096,054
LIABILITIES		
Current Liabilities	10,229,915	9,732,683
Long-term Liabilities	275,843,682	71,740,086
Total Liabilities	286,073,597	81,472,769
DEFERRED INFLOWS OF RESOURCES	9,422,280	1,530,916
NET POSITION		
Net Investment in Capital Assets	69,734,401	69,918,579
Restricted		
Capital Projects	981,984	429,755
Future Capital Projects	1,565,198	-
Tax Certiorari	2,817,212	2,813,710
Tax Reduction	4,687	139,153
Unemployment Benefits	-	150,809
Property Loss	59,160	59,160
Insurance	210,816	210,554
Liability Claims	219,142	218,870
Repairs	137,539	137,539
Retirement Contributions	1,565,198	1,663,128
Debt Service	299,953	14,828
Special Purpose	57,837	52,866
Unrestricted	(147,123,935)	22,067,628
Total Net Position	\$ (69,470,808)	\$ 97,876,579

By far, the largest component of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. 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 School 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. For the 2017-18 school year, the District budgeted \$2,785,000 in its General Fund to pay off the scheduled capital debt principal payment.

In 2016, voters approved a \$42.5 million bond proposition for capital projects. By the end of June 30, 2018, District has borrowed the full amount of this bond and has begun some of the proposed projects and the district's assets and liabilities fully reflect these changes. For example, the district's current assets increased from \$29,632,344 to \$68,474,299 and this is due to the funds that district borrowed and is holding for capital projects that are underway or being planned. The District Capital Assets increase from \$113,152,225 to \$120,548,059 because the district is able to capitalize some of the capital projects that are completed or underway.

One of the reasons the Long-term Liabilities increased from \$71,740,086 to \$275,843,682 is due to the bond borrowing. The other reason why the Long-term Liabilities increased so drastically was because for the first time, District along with all municipalities, must begin to report liabilities in accordance to GASB Statement No. 75 which was explained in prior section.

Those assets subject to external restrictions constitute \$7,918,126 of net position, which includes restriction for future capital projects of \$1,565,198, retirement contributions of \$1,565,198 and tax certiorari of \$2,817,212 (the three largest items). Unrestricted net position shows a negative figure for the first time due to the implementation of GASB Statement No. 75, decreased from \$22,067,628 to \$(147,123,935).

Changes in Net Position

	June 30,	
	2018	2017
REVENUES		
Program Revenues		
Charges for Services	\$ 2,530,989	\$ 2,552,458
Operating Grants and Contributions	2,684,598	2,690,465
Capital Grants and Contributions	1,200,245	2,480
Total Program Revenues	6,415,832	5,245,403
General Revenues		
Real Property Taxes	101,419,422	100,338,003
Other Tax Items (STAR)	5,306,724	5,630,113
Non-Property Taxes	897,424	855,701
Unrestricted Use of Money and Property	414,639	141,214
Unrestricted State Aid	8,629,931	8,382,955
Miscellaneous	848,267	845,254
Total General Revenues	117,516,407	116,193,240
Total Revenues	123,932,239	121,438,643
EXPENSES		
General Support	16,554,790	16,420,286
Instruction	97,681,941	93,876,332
Pupil Transportation	6,421,411	6,337,639
Community Services	19,928	22,754
Cost of Food Sales	1,996,768	1,896,063
Other	4,042	3,108
Interest	1,591,654	1,454,927
Total Expenses	124,270,534	120,011,109
Change in Net Position	(338,295)	1,427,534
Net Position - Beginning, as Reported	97,876,938	96,449,404
Cumulative Effect Of Change in Accounting Principle	(167,009,451)	-
Net Position - Beginning, as Restated	(69,132,513)	-
Ending	<u>\$ (69,470,808)</u>	<u>\$ 97,876,938</u>

The District's net position decreased by \$167,347,746, which was a reversal from a positive net position of \$97,876,938 to a negative \$69,470,808. In fact, the District maintains a fairly similar financial condition to the previous year. This reversal was purely the result of the implementation of GASB 75. As presented in the following graphs, the District relies upon real property taxes and other tax items (STAR) as its primary revenue sources (86.12%, a slight decrease from prior year's 87.26% because of the increase of Unrestricted State Aid and Capital Grants).

The major changes from 2016-17 to 2017-18 are as follows:

Revenues:

The District's total program revenues saw an increase of \$1,170,429, general revenues increased by \$1,323,167, and the total revenues increased by \$2,493,596. The primary elements of these increases were:

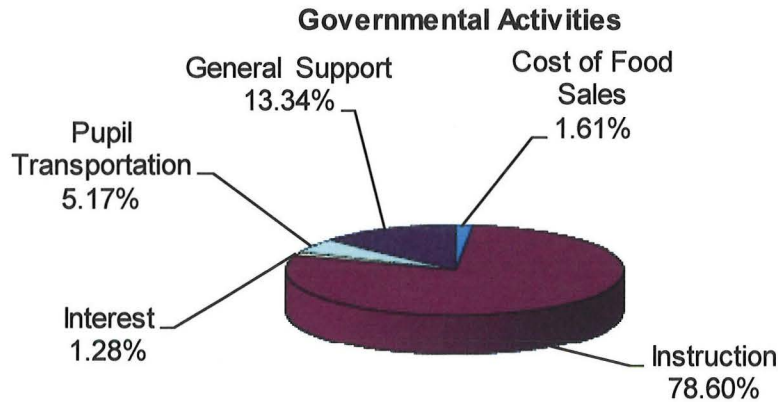
- Capital Grants and Contributions increased by \$1,197,765. This was due to the grants Districts received from Twin Oaks and Chappaqua Education Foundation.
- Real Property Taxes (excluding STAR) increased by \$1,081,419, or 1.08%. This figure is higher than the District proposed.
- Unrestricted State Aid saw an increase of \$246,976.
- In addition to Program Revenues, Real Property Taxes and Unrestricted State Aid, Non-Property Taxes, Unrestricted Use of Money and Property and Miscellaneous all saw an increase during the 2017-18 school year.

Expenses:

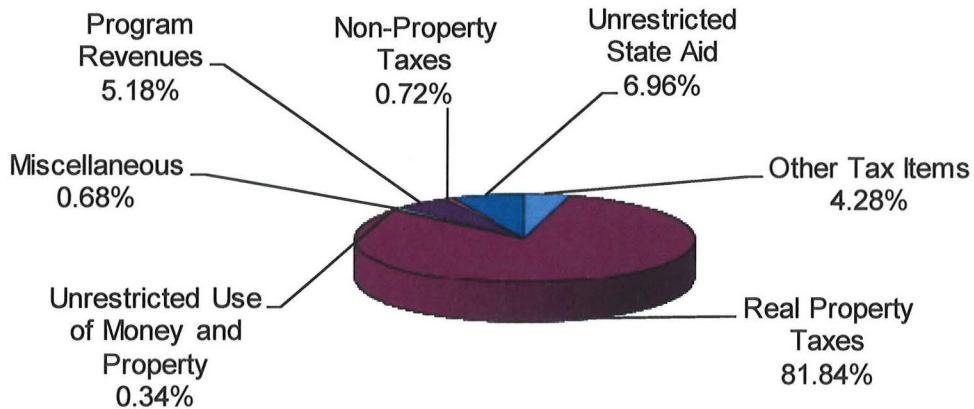
The District's expenses increased by \$4,259,425. The highlights were:

- General Support saw an increase of \$134,504 versus last year's increase of \$411,989. All expenses in this set of budget codes were stable during the 2017-18 school year.
- Instruction saw an increase of \$3,805,609 and this is due to large increases in OPEB (Other Post Employment Benefits), allocation of depreciation expenses, and an increase in salaries for staff whose budget codes are within Instruction.
- Other expenditure items remain relatively stable.

Expenses for Fiscal Year 2017-18



Revenues for Fiscal Year 2017-18 Governmental Activities



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.

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 School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the District's governmental funds reported combined fund balances of \$56,362,096, an increase of \$35,925,991 from prior year's \$20,436,105. These two numbers are not comparable and therefore a fair comparison cannot be made. The District borrowed \$42.5 million in bonds for capital projects and at the end of the fiscal year retained \$32,165,647 in the Capital Projects Fund which became part of the overall fund balance.

The comparable comparison is the comparison of District's fund balance for the General Fund which increased by \$1,289,563, from \$22,653,188 to \$23,942,751 during the current fiscal year. This is mainly due to a favorable operating year with higher than anticipated revenue income. \$2,555,818 of the general fund balance has been assigned (appropriated) for the 2018-19 budget to reduce tax levy. This assigned fund balance for the subsequent year drew funds from three sources: \$2,320,818 from the Unassigned Fund Balance, \$100,000 from the Retirement Contributions Fund and \$135,000 from the Tax Reduction Fund.

For fiscal year 2017-18, General Fund revenues and other financing sources exceeded the final budget by \$1,520,443. The largest variance was a positive variance of \$598,711 in State Aid, \$326,026 in Use of Money and Property, \$298,267 in Miscellaneous Income, and \$215,237 in Issuance Premium (from bond issuances).

General Fund expenditures and other financing uses for 2017-18 were \$2,435,075 less than the final budget, after the deduction of \$4,585,621 for encumbrances. Positive variances were shown in the following areas: General Support: \$63,841, Instruction: \$2,031,404, Pupil Transportation: \$225,611, and Community Services: \$2,826, and Employee Benefits: \$103,192.

General Fund Budgetary Highlights

The original expenditure budget and the final amended budget showed an increase of \$69,373. The modifications were mainly made up from gifts from the community.

Fund Balance Analysis

Fund Balance of the General Fund is made up of four categories and they are illustrated below:

<u>Fund Balance</u>	<u>June 30, 2018</u>
Non-spendable	\$ 2,209,779
Restricted	9,689,133
Assigned	7,141,439
Unassigned	<u>4,902,400</u>
Total	<u>\$ 23,942,751</u>

By far the largest category of fund balance is in "Restricted" and these funds were established and set aside for very specific purposes. The "Assigned" fund balance consists of two parts: \$4,585,621 (vs. last year's \$5,251,576) is for encumbrances (purchases on order) - commitments made by the District for goods or services, and \$2,555,818 is assigned for subsequent year's expenditures. The remainder of \$4,902,400 is "Unassigned" fund balance and as we previously mentioned this is the amount that is available for spending at the discretion of the District. At the end of the day, fund balance is an indicator of the financial strength of a school district.

The actual amount of fund balance in each reserve category is presented in Note 3H - Fund Balances.

Capital Assets

At the end of June 30, 2018, the District had \$120,548,049 net of accumulated depreciation invested in a broad range of capital assets, including land, buildings and improvements, machinery and equipment and construction-in-progress. The change in capital assets, net of accumulated depreciation, is reflected below:

Class	June 30,	
	2018	2017
Land	\$ 2,177,700	\$ 2,177,700
Construction in Progress	8,863,947	7,589,075
Buildings and Improvements	107,169,292	101,489,103
Machinery and Equipment	2,337,110	1,896,347
Total Capital Assets, Net of Accumulated Depreciation	\$ 120,548,049	\$ 113,152,225

The major change in Capital Assets is an increase of \$5,680,189 in Building and Improvements, after depreciation, and an increase of \$1,274,872 in Construction in Progress. As the District continues to begin and complete capital projects from the 2016 capital bond, one will expect to see an increase in both Construction in Progress and Buildings and Improvements until all of the capital projects are completed (currently the expected completion date is 2019-20). More detailed information about the District's capital assets is presented in the notes to the financial statements (Note 3B – Capital Assets).

Long-Term Liabilities

As of June 30, 2018, the District had \$69,975,000 in general obligation debt and other long-term liabilities outstanding, as follows:

	June 30,	
	2018	2017
Bonds payable		
Plus Unamortized Premium	\$ 72,262,397	\$ 32,512,348
Other Non-Current Liabilities -		
Net Pension Liability	879,674	6,025,573
Energy Performance Contract Debt	11,137,474	12,068,240
Installment Purchase Debt	102,633	349,153
Compensated Absences	3,908,516	3,712,021
Other Post Employment Benefit Obligations	187,552,988	17,072,751
Total	\$ 275,843,682	\$ 71,740,086

Long-term liabilities are made up of six figures: bonds payable, energy performance contract debt, installment purchase debt, compensated absences, net pension liability and other post employment benefit obligations. Bonds payable saw an increase of \$39,750,049. The District is paying down its old bond debt. But during this fiscal year, the District borrowed \$42.5 million of new debt for its capital projects. Other post employment benefit obligations saw an increase of \$170,480,237 and this is due to the implementation of GASB Statement No. 75.

The net impact of the above-mentioned factors increased the District's long-term liabilities by \$204,103,596. As previously mentioned, the \$42.5 million borrowing in bonds was planned for the district's education future. As for the increase of the Other Post Employment Benefit Obligations, it is out of District's control and District had to be in compliance of the new GASB Statement No. 75 requirement. Such liability is for reporting purpose only and not for funding purpose.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements (Note 3D - Long-Term Liabilities).

Summary

The Chappaqua Central School District is financially solid. Overall, the financial position of the District for year ended June 30, 2018 is fairly similar to the prior fiscal year and remain strong. The fact that the District's fund balance position continues to increase is a positive indicator. The substantial change in the District's net position was mainly a function of the implementation of a GASB rule which has no impact on District's operation. All other municipalities will have similar reporting.

Requests for Information

This financial report is designed to provide a comprehensive general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Chappaqua Central School District
Attn: John L. Chow
Assistant Superintendent for Business
PO Box 21
Chappaqua, New York 10514
Tel: (914)238-7200 X 1006
E-mail: jochow@ccsd.ws

(This page intentionally left blank)

Chappaqua Central School District, New YorkStatement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 62,293,246
Receivables	
Accounts	23,998
State and Federal aid	2,387,664
Prepaid expenses	1,359,779
Inventories	2,323
Net pension asset	2,407,289
Capital assets	
Not being depreciated	11,041,647
Being depreciated, net	109,506,402
	<hr/>
Total Assets	189,022,348
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	37,002,721
	<hr/>
LIABILITIES	
Accounts payable	1,650,033
Accrued liabilities	1,966,654
Due to retirement systems	5,656,011
Due to other governments	315,337
Unearned revenues	116,879
Accrued interest payable	525,001
Non-current liabilities	
Due within one year	5,866,391
Due in more than one year	269,977,291
	<hr/>
Total Liabilities	286,073,597
	<hr/>
DEFERRED INFLOWS OF RESOURCES	9,422,280
	<hr/>
NET POSITION	
Net investment in capital assets	69,734,401
Restricted	
Capital projects	981,984
Future capital projects	1,565,198
Tax certiorari	2,817,212
Tax reduction	4,687
Property loss	59,160
Insurance	210,816
Liability claims	219,142
Repairs	137,539
Retirement contributions	1,565,198
Debt service	299,953
Special purpose	57,837
Unrestricted	(147,123,935)
	<hr/>
Total Net Position	\$ (69,470,808)
	<hr/>

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

(This page intentionally left blank)

Chappaqua Central School District, New York

Statement of Activities Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General support	\$ 16,554,790	\$ 109,696	\$ 10,311	\$ -	\$ (16,434,783)
Instruction	97,681,941	514,306	2,508,152	600,245	(94,059,238)
Pupil transportation	6,421,411	-	-	600,000	(5,821,411)
Community services	19,928	-	-	-	(19,928)
Cost of food sales	1,996,768	1,906,987	157,122	-	67,341
Other	4,042	-	9,013	-	4,971
Interest	1,591,654	-	-	-	(1,591,654)
Total Governmental Activities	<u>\$ 124,270,534</u>	<u>\$ 2,530,989</u>	<u>\$ 2,684,598</u>	<u>\$ 1,200,245</u>	<u>(117,854,702)</u>
General revenues					
Real property taxes					101,419,422
Other tax items					
School tax relief reimbursement					5,306,724
Non-property taxes					
Non-property tax distribution from County					897,424
Unrestricted use of money and property					414,639
Unrestricted State aid					8,629,931
Miscellaneous					<u>848,267</u>
Total General Revenues					<u>117,516,407</u>
Change in Net Position					<u>(338,295)</u>
Net Position - Beginning, as reported					97,876,938
Cumulative Effect of Change in Accounting Principle					<u>(167,009,451)</u>
Net Position - Beginning, as restated					<u>(69,132,513)</u>
Net Position - Ending					<u>\$ (69,470,808)</u>

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

Chappaqua Central School District, New York

Balance Sheet
Governmental Funds
June 30, 2018

	General	Special Aid	Capital Projects
ASSETS			
Cash and equivalents	\$ 54,274,760	\$ 19,481	\$ 7,677,323
Receivables			
Accounts	10,133	-	-
State and Federal aid	852,299	1,516,200	-
Due from other funds	1,046,757	-	26,185,237
Advances to other funds	850,000	-	-
Prepaid expenditures	1,359,779	-	-
Inventories	-	-	-
Total Assets	<u>\$ 58,393,728</u>	<u>\$ 1,535,681</u>	<u>\$ 33,862,560</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 314,196	\$ -	\$ 1,335,837
Accrued liabilities	1,966,654	-	-
Due to other funds	26,193,637	685,681	361,076
Advances from other funds	-	850,000	-
Due to retirement systems	5,656,011	-	-
Due to other governments	315,337	-	-
Unearned revenues	5,142	-	-
Total Liabilities	<u>34,450,977</u>	<u>1,535,681</u>	<u>1,696,913</u>
Fund balances			
Nonspendable	2,209,779	-	-
Restricted	9,689,133	-	32,165,647
Assigned	7,141,439	-	-
Unassigned	4,902,400	-	-
Total Fund Balances	<u>23,942,751</u>	<u>-</u>	<u>32,165,647</u>
Total Liabilities and Fund Balances	<u>\$ 58,393,728</u>	<u>\$ 1,535,681</u>	<u>\$ 33,862,560</u>

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

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ 321,682	\$ 62,293,246
13,865	23,998
19,165	2,387,664
8,400	27,240,394
-	850,000
-	1,359,779
2,323	2,323
<u>\$ 365,435</u>	<u>\$ 94,157,404</u>
\$ -	\$ 1,650,033
-	1,966,654
-	27,240,394
-	850,000
-	5,656,011
-	315,337
111,737	116,879
<u>111,737</u>	<u>37,795,308</u>
2,323	2,212,102
57,837	41,912,617
193,538	7,334,977
-	4,902,400
<u>253,698</u>	<u>56,362,096</u>
<u>\$ 365,435</u>	<u>\$ 94,157,404</u>

(This page intentionally left blank)

Chappaqua Central School District, New York

Reconciliation of Governmental Funds Balance Sheet to the District-Wide Statement of Net Position June 30, 2018

Fund Balances - Total Governmental Funds	\$ 56,362,096
--	---------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>120,548,049</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	1,348,209
Deferred amounts on net pension assets (liabilities)	<u>26,232,232</u>

27,580,441

Other long-term assets are not available to pay for current period
expenditures and, therefore, are not reported in the funds.

Net pension asset	<u>2,407,289</u>
-------------------	------------------

Long-term liabilities that are not due and payable in the current
period are not reported in the funds.

Accrued interest payable	(525,001)
Net pension liability	(879,674)
Bonds payable	(72,262,397)
Compensated absences	(3,908,516)
Other post employment benefit obligations payable	(187,552,988)
Energy performance contract debt payable	(11,137,474)
Installment purchase debt payable	<u>(102,633)</u>

(276,368,683)

Net Position of Governmental Activities	<u><u>\$ (69,470,808)</u></u>
---	-------------------------------

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

Chappaqua Central School District, New York

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2018

	General	Special Aid	Capital Projects
REVENUES			
Real property taxes	\$ 101,419,422	\$ -	\$ -
Other tax items	5,306,724	-	-
Non-property taxes	897,424	-	-
Charges for services	512,926	-	-
Use of money and property	536,026	-	-
State aid	9,350,934	670,997	-
Federal aid	25	1,046,754	-
Food sales	-	-	-
Miscellaneous	917,640	-	1,200,245
Total Revenues	118,941,121	1,717,751	1,200,245
EXPENDITURES			
Current			
General support	14,486,780	-	-
Instruction	66,592,448	1,874,550	-
Pupil transportation	6,421,411	-	-
Community services	19,928	-	-
Employee benefits	23,991,239	-	-
Cost of food sales	-	-	-
Other	-	-	-
Debt service			
Principal	3,962,286	-	-
Interest	1,666,050	-	-
Capital outlay	-	-	9,707,987
Total Expenditures	117,140,142	1,874,550	9,707,987
Excess (Deficiency) of Revenues Over Expenditures	1,800,979	(156,799)	(8,507,742)
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	42,500,000
Issuance premium	215,237	-	-
Transfers in	5,146	156,799	575,000
Transfers out	(731,799)	-	(5,146)
Total Other Financing Sources (Uses)	(511,416)	156,799	43,069,854
Net Change in Fund Balances	1,289,563	-	34,562,112
FUND BALANCES (DEFICITS)			
Beginning of Year	22,653,188	-	(2,396,465)
End of Year	\$ 23,942,751	\$ -	\$ 32,165,647

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

Non-Major Governmental	Total Governmental Funds
\$ -	\$ 101,419,422
-	5,306,724
-	897,424
-	512,926
725	536,751
9,866	10,031,797
146,544	1,193,323
1,891,633	1,891,633
24,354	2,142,239
2,073,122	123,932,239
-	14,486,780
-	68,466,998
-	6,421,411
-	19,928
-	23,991,239
1,994,764	1,994,764
4,042	4,042
-	3,962,286
-	1,666,050
-	9,707,987
1,998,806	130,721,485
74,316	(6,789,246)
-	42,500,000
-	215,237
-	736,945
-	(736,945)
-	42,715,237
74,316	35,925,991
179,382	20,436,105
\$ 253,698	\$ 56,362,096

(This page intentionally left blank)

Chappaqua Central 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, 2018

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

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 35,925,991</u>
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	10,926,492
Depreciation expense	<u>(3,530,668)</u>
	<u>7,395,824</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Bonds issued	(42,500,000)
Issuance premium	(215,237)
Principal paid on serial bonds	2,785,000
Principal paid on installment purchase debt	246,520
Principal paid on energy performance contract debt	930,766
Amortization of loss on refunding bonds and issuance premium	<u>62,953</u>
	<u>(38,689,998)</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	11,443
Compensated absences	(196,495)
Pension assets (liabilities)	(1,314,274)
Other post employment benefit obligations	<u>(3,470,786)</u>
	<u>(4,970,112)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (338,295)</u></u>

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

Chappaqua Central 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, 2018

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 101,419,422	\$ 101,419,422	\$ 101,419,422	\$ -
Other tax items	5,306,724	5,306,724	5,306,724	-
Non-property taxes	835,000	835,000	897,424	62,424
Charges for services	498,319	498,319	512,926	14,607
Use of money and property	210,000	210,000	536,026	326,026
State aid	8,752,223	8,752,223	9,350,934	598,711
Federal aid	-	-	25	25
Miscellaneous	550,000	619,373	917,640	298,267
Total Revenues	117,571,688	117,641,061	118,941,121	1,300,060
EXPENDITURES				
Current				
General support	15,776,799	17,183,492	14,486,780	2,696,712
Instruction	69,760,325	70,464,762	66,592,448	3,872,314
Pupil transportation	6,716,386	6,694,372	6,421,411	272,961
Community services	22,754	22,754	19,928	2,826
Employee benefits	26,133,045	24,158,921	23,991,239	167,682
Debt service				
Principal	4,245,761	3,962,286	3,962,286	-
Interest	1,428,194	1,666,050	1,666,050	-
Total Expenditures	124,083,264	124,152,637	117,140,142	7,012,495
Excess (Deficiency) of Revenues Over Expenditures	(6,511,576)	(6,511,576)	1,800,979	8,312,555
OTHER FINANCING SOURCES (USES)				
Issuance premium	-	-	215,237	215,237
Transfers in	-	-	5,146	5,146
Transfers out	(740,000)	(740,000)	(731,799)	8,201
Total Other Financing Sources (Uses)	(740,000)	(740,000)	(511,416)	228,584
Net Change in Fund Balances	(7,251,576)	(7,251,576)	1,289,563	8,541,139
FUND BALANCES				
Beginning of Year	7,251,576	7,251,576	22,653,188	15,401,612
End of Year	\$ -	\$ -	\$ 23,942,751	\$ 23,942,751

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)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
662,797	670,998	670,997	(1)
1,181,832	1,176,958	1,046,754	(130,204)
-	-	-	-
1,844,629	1,847,956	1,717,751	(130,205)
-	-	-	-
2,009,629	2,012,956	1,874,550	138,406
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,009,629	2,012,956	1,874,550	138,406
(165,000)	(165,000)	(156,799)	8,201
-	-	-	-
165,000	165,000	156,799	(8,201)
-	-	-	-
165,000	165,000	156,799	(8,201)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Chappaqua Central School District, New York

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2018

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 376,435
Accounts receivable	<u>7,067</u>
Total Assets	<u><u>\$ 383,502</u></u>
LIABILITIES	
Accounts payable	\$ 10,133
Employee payroll deductions	304,559
Deposits payable	13,829
Student activity funds	<u>54,981</u>
Total Liabilities	<u><u>\$ 383,502</u></u>

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

Note 1 - Summary of Significant Accounting Policies

The Chappaqua Central School District, New York ("School District"), as presently constituted, was established in 1905 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 Putnam-Northern 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 the ratio which the component school district's value of taxable properties in effect at the time of adoption bears to the total full value of taxable properties of all component school districts within BOCES as defined by Education Law. Copies of BOCES' financial statement can be requested from Putnam-Northern Westchester BOCES, 200 BOCES Drive, Yorktown Heights, New York 10598.

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 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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.

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 lunch program 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.

- b. Fiduciary Funds (Not Included in District-Wide 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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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, 2018.

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 levied and payable in September and January. The Towns of New Castle and Mount Pleasant which are included in the levy are responsible for the billing and collection of the taxes. The towns guarantee the full payment of the School District warrant and assume 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, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Advances To/From Other Funds - Advances to/from other funds represents loans to other funds which are not expected to be repaid within the subsequent annual operating cycle. The advances are offset by nonspendable fund balance in the fund financial statements, which indicates that the funds are not "available" for appropriation and are not expendable available financial resources.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 consist of health insurance costs which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent year's 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 consist of surplus food and supplies and are recorded at cost on a first-in, first-out basis or, in the case 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
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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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 \$5,142 in the General Fund for fees received in advance and \$111,737 in the School Lunch Fund for meal cards purchased in advance. 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.

Deferred outflows and inflows of resources have been reported on the district-wide Statement of Net Position for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
New York State Teachers' Retirement System	\$ 32,460,690	\$ 6,609,132
New York State and Local Employees' Retirement System	3,193,822	2,813,148
Deferred loss on Refunding	1,348,209	-
	<u>\$ 37,002,721</u>	<u>\$ 9,422,280</u>

The amount reported for the deferred loss on refunding bonds 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 amounts reported as deferred outflows of resources and deferred inflows of resources in relation to the School District's pension obligations are detailed 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 the applicable bond premium or discount. Bond issuance costs are expensed 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation or sick 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 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 represent 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 capital projects, future capital projects, tax certiorari, tax reduction, property loss, insurance, liability claims, repairs, retirement contributions, debt service and special purpose. 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 is used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law of the State of New York or Education Law.

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 School District removes or changes the purpose by taking the same

Note 1 - Summary of Significant Accounting Policies (Continued)

action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board of Education.

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Education or the Assistant Superintendent for Business for amounts assigned as encumbrances. 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 other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

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 and Special Aid funds. 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 14, 2018.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The School District 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 or Special Purpose funds.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- 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. 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.

B. Limitation on 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. Fund Deficits

The deficits in the Back Flow Preventers and the Smart Schools Bond Act capital projects of \$69,312 and \$87,672, respectively, arose because of expenditures exceeding current financing on these projects. These deficits will be eliminated with the future receipt or issuance of authorized financing.

Note 2 - Stewardship, Compliance and Accountability (Continued)**E. Cumulative Effect of Change in Accounting Principle**

For the year ended June 30, 2018, the School District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB"). This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governments by establishing standards for recognizing and measuring liabilities, deferred outflows/inflows of resources and expenses/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to the periods of employee service. As a result of adopting these standards, the district-wide financial statements reflect a cumulative effect for the change in accounting principle of \$(167,009,451).

Note 3 - Detailed Notes on All Funds**A. Due From/To Other Funds, Advances From/To Other Funds**

The composition of interfund balances at June 30, 2018 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Advances From/To</u>
General	\$ 1,046,757	\$ 26,193,637	\$ 850,000
Special Aid	-	685,681	(850,000)
Capital Projects	26,185,237	361,076	-
Special Purpose	8,400	-	-
	<u>\$ 27,240,394</u>	<u>\$ 27,240,394</u>	<u>\$ -</u>

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.

B. Capital Assets

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

<u>Class</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital Assets, not being depreciated				
Land	\$ 2,177,700	\$ -	\$ -	\$ 2,177,700
Construction-in-progress	<u>7,589,075</u>	<u>5,158,120</u>	<u>3,883,248</u>	<u>8,863,947</u>
Total Capital Assets, not being depreciated	<u>\$ 9,766,775</u>	<u>\$ 5,158,120</u>	<u>\$ 3,883,248</u>	<u>\$ 11,041,647</u>

Chappaqua Central School District, New York

Notes to Financial Statements (Continued)

June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

<u>Class</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital Assets, being depreciated				
Buildings and Improvements	\$ 155,717,990	\$ 8,908,578	\$ -	\$ 164,626,568
Machinery and Equipment	5,514,891	743,042	17,528	6,240,405
Total Capital Assets, being depreciated	161,232,881	9,651,620	17,528	170,866,973
Less Accumulated Depreciation for				
Buildings and Improvements	54,228,887	3,228,389	-	57,457,276
Machinery and Equipment	3,618,544	302,279	17,528	3,903,295
Total Accumulated Depreciation	57,847,431	3,530,668	17,528	61,360,571
Total Capital Assets, being depreciated, net	\$ 103,385,450	\$ 6,120,952	\$ -	\$ 109,506,402
Capital Assets, net	\$ 113,152,225	\$ 11,279,072	\$ 3,883,248	\$ 120,548,049

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

General Support	\$ 211,840
Instruction	3,303,604
Cost of Food Sales	15,224
Total Depreciation Expense	\$ 3,530,668

C. Accrued Liabilities

Accrued liabilities at June 30, 2018 were as follows:

	<u>General Fund</u>
Other	\$ 1,130,363
Payroll and employee benefits	836,291
	<u>\$ 1,966,654</u>

Chappaqua Central School District, New York

Notes to Financial Statements (Continued)
June 30, 2018

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, 2018:

	Balance as Reported July 1, 2017	Change in Accounting Principle *	Balance, as Restated July 1, 2017	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2018	Due Within One-Year
Bonds Payable	\$ 30,260,000	\$ -	\$ 30,260,000	\$ 42,500,000	\$ 2,785,000	\$ 69,975,000	\$ 4,420,000
Plus - Unamortized premium on bonds	2,252,348	-	2,252,348	215,237	180,188	2,287,397	-
	<u>32,512,348</u>	<u>-</u>	<u>32,512,348</u>	<u>42,715,237</u>	<u>2,965,188</u>	<u>72,262,397</u>	<u>4,420,000</u>
Other Non-current Liabilities -							
Energy Performance Contract							
Debt Payable	12,068,240	-	12,068,240	-	930,766	11,137,474	952,758
Installment Purchase							
Debt Payable	349,153	-	349,153	-	246,520	102,633	102,633
Compensated Absences	3,712,021	-	3,712,021	567,495	371,000	3,908,516	391,000
Net Pension Liability	6,025,573	-	6,025,573	-	5,145,899	879,674	-
Other Post Employment							
Benefit Obligations	17,072,751	167,009,451	184,082,202	8,905,363	5,434,577	187,552,988	-
Total Other Non- current Liabilities	<u>39,227,738</u>	<u>167,009,451</u>	<u>206,237,189</u>	<u>9,472,858</u>	<u>12,128,762</u>	<u>203,581,285</u>	<u>1,446,391</u>
Total Long-Term Liabilities	<u>\$ 71,740,086</u>	<u>\$ 167,009,451</u>	<u>\$ 238,749,537</u>	<u>\$ 52,188,095</u>	<u>\$ 15,093,950</u>	<u>\$ 275,843,682</u>	<u>\$ 5,866,391</u>

*See Note 2E

The School District's indebtedness for bonds, net pension liability, energy performance contract debt payable, installment purchase debt payable, compensated absences and other post employment benefit obligations is liquidated by the General Fund.

Bonds Payable

Bonds payable at June 30, 2018 is comprised of the following issue -

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2018
Refunding Bonds	2011	\$ 32,905,000	January, 2030	2.0-5.0 %	\$ 27,475,000
District-wide Improvements	2018	26,500,000	June, 2039	3.0	26,500,000
District-wide Improvements	2018	16,000,000	June, 2038	2.125-3.0	16,000,000
					<u>\$ 69,975,000</u>

Interest expenditures of \$1,382,861 were recorded in the fund financial statements in the General Fund. Interest expense of \$1,309,375 was recorded in the district-wide financial statements.

Energy Performance Contract Debt Payable

The School District, in September 2011, entered into a \$6,010,000 contractual agreement to install energy savings equipment and/or to upgrade existing facilities to enhance performance. The terms of the contract provide for repayment over fifteen years, with bi-annual installments of \$241,014 through December 2027. Payments include interest at 2.84%. The contract further provides that

Note 3 - Detailed Notes on All Funds (Continued)

the savings in energy costs resulting from this modernization will equal or exceed the lease payment terms. In September 2012 the School District entered into a \$5,752,450 agreement for Phase II of the energy performance enhancement. The terms of Phase II provide for repayment over 15 years, with bi-annual installments of \$231,016 through December 2027. Payments include interest at 2.09%. In August 2016, the School District entered into a \$3,383,396 agreement to further upgrade to energy saving equipment. The terms of this contract provide for repayment over 15 years with bi-annual installments of \$130,431 through December 2031. Payments include interest at 1.9296%.

The aggregate balance due at June 30, 2018 was \$11,137,474. Interest expenditures of \$274,154 were recorded in the fund financial statements in the General Fund. Interest expense of \$273,244 was recorded in the district-wide financial statements.

Installment Purchase Debt

The School District, in a prior year entered into a lease agreement to finance the costs of telephone equipment. The terms of the telephone lease agreement provided for repayment of a principal amount of \$590,120 in an annual installment of \$63,591 in June, 2014 and annual installments of \$126,969 through June, 2018 and an installment of \$21,162 in June 2019.

The School District, in a prior year, entered into a lease agreement to finance the costs of certain computer equipment. The terms of this agreement provided for the repayment of a principal amount of \$208,217 in average annual installments of \$44,596 through June, 2018, including interest at 3.5%. This agreement was paid in full at June 30, 2018.

The School District, in a prior year, entered into a lease agreement to finance the costs of certain computer equipment. The terms of this agreement provided for the repayment of a principal amount of \$396,266 in average annual installments of \$83,990 through June, 2019, including interest at 2.99%.

Interest expenditures/expense of \$9,035 was recorded in the fund financial statements in the General Fund and in the district-wide financial statements.

Payments to Maturity

The annual requirements to amortize all outstanding bonded, energy performance contract debt and installment purchase debt as of June 30, 2018 including interest payments of \$20,306,993 are as follows:

Year Ending June 30,	Serial Bonds		Energy Performance Contract Debt		Installment Purchase Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 4,420,000	\$ 2,223,383	\$ 952,758	\$ 252,163	\$ 102,633	\$ 2,518	\$ 5,475,391	\$ 2,478,064
2020	4,550,000	2,079,994	975,283	229,637	-	-	5,525,283	2,309,631
2021	4,800,000	1,703,625	998,357	206,564	-	-	5,798,357	1,910,189
2022	4,955,000	1,724,575	1,021,992	182,929	-	-	5,976,992	1,907,504
2023	5,140,000	1,519,450	1,046,203	158,718	-	-	6,186,203	1,678,168
2024-2028	18,610,000	5,364,431	5,143,326	409,249	-	-	23,753,326	5,773,680
2029-2033	15,030,000	2,993,263	999,555	43,892	-	-	16,029,555	3,037,155
2034-2038	11,235,000	1,175,552	-	-	-	-	11,235,000	1,175,552
2039	1,235,000	37,050	-	-	-	-	1,235,000	37,050
	<u>\$ 69,975,000</u>	<u>\$ 18,821,323</u>	<u>\$ 11,137,474</u>	<u>\$ 1,483,152</u>	<u>\$ 102,633</u>	<u>\$ 2,518</u>	<u>\$ 81,215,107</u>	<u>\$ 20,306,993</u>

Note 3 - Detailed Notes on All Funds (Continued)

The above general obligation bonds, energy performance contract debt and installment purchase debt 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.

Compensated Absences

Pursuant to collective bargaining agreements, upon separation of service, the School District is required to compensate administrators, clerical staff and custodians for unused vacation time. For all other employees, vacation time is generally taken in the year earned. The School District is not required to compensate employees for accumulated sick leave. The value of the compensated absences has been reflected in the district-wide financial statements.

Pension Plans

New York State and Local Retirement System and Teachers' 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 School District also 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.

Chappaqua Central School District, New York

Notes to Financial Statements (Continued)
 June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

ERS and TRS are noncontributory for employees who joined the systems before July 27, 1976. Employees who joined the systems after July 27, 1976 and before January 1, 2010 contribute 3% of their salary for the first ten years of membership. Employees who joined the systems after January 1, 2010 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. 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 rates for the plans' year ending in 2018 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	1 75I	21.7 %
	2 75I	19.8
	3 A15	16.1
	4 A15	16.1
	5 A15	13.2
	6 A15	9.4
TRS	1-6	9.8 %

At June 30, 2018, the School District reported the following for its proportionate share of the net pension liability (asset) for ERS and TRS:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2018
Net pension liability (asset)	\$ 879,674	\$ (2,407,289)
School Districts' proportion of the net pension liability (asset)	0.0320008 %	0.316707 %
Change in proportion since the prior measurement date	(0.0005655) %	(0.006721) %

The net pension liability was measured as of March 31, 2018 for ERS and June 30, 2018 for TRS and the total pension liability used to calculate the net pension liability (asset) were determined by actuarial valuations as of those dates. The School District's proportion of the net pension liability for ERS 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. The School District's proportion of the net pension asset for TRS was based on the School District's contributions to the pension plan relative to the contributions of all participating members.

For the year ended June 30, 2018, the School District recognized pension expense in the district-wide financial statements of \$7,648,536 (\$1,333,051 for ERS and \$6,315,485 for TRS). Pension expenditures of \$1,428,478 and \$1,854 were recorded in the fund financial statements and were charged to the General and Special Aid Funds, respectively for ERS and \$4,903,930 was charged to the General Fund for TRS.

Chappaqua Central School District, New York

Notes to Financial Statements (Continued)
June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS		TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 313,751	\$ 259,272	\$ 1,980,607	\$ 938,574
Changes of assumptions	583,296	-	24,494,630	-
Net difference between projected and actual earnings on pension plan investments	1,277,656	2,521,966	-	5,669,861
Changes in proportion and differences between School District contributions and proportionate share of contributions	673,324	31,910	928,641	697
School District contributions subsequent to the measurement date	345,795	-	5,056,812	-
	<u>\$ 3,193,822</u>	<u>\$ 2,813,148</u>	<u>\$ 32,460,690</u>	<u>\$ 6,609,132</u>
	Total			
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 2,294,358	\$ 1,197,846		
Changes of assumptions	25,077,926	-		
Net difference between projected and actual earnings on pension plan investments	1,277,656	8,191,827		
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,601,965	32,607		
School District contributions subsequent to the measurement date	5,402,607	-		
	<u>\$ 35,654,512</u>	<u>\$ 9,422,280</u>		

\$345,795 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 plan's year ended March 31, 2019. The \$5,056,812 reported as deferred outflows of resources related to TRS will be recognized as an increase of the net pension asset in the plan's year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and TRS will be recognized in pension expense as follows:

Year Ended	March 31, ERS	June 30, TRS
2018	\$ -	\$ 731,502
2019	441,214	6,654,956
2020	334,709	4,811,997
2021	(512,822)	1,325,702
2022	(228,222)	4,798,505
Thereafter	-	2,472,084

Note 3 - Detailed Notes on All Funds (Continued)

The total pension liability for the ERS and TRS measurement dates were determined by using actuarial valuation dates as noted below, with update procedures used to roll forward the total pension liabilities to those measurement dates. Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2018	June 30, 2018
Actuarial valuation date	April 1, 2017	June 30, 2017
Investment rate of return	7.0% *	7.25% *
Salary scale	3.8%	1.90%-4.72%
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.5%

*Compounded annually, net of pension plan investment expenses, including inflation.

For ERS, annuitant mortality rates are based on the ERS's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the ERS valuation were based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. The actuarial assumptions used in the TRS valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

For ERS, 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.

For TRS, 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.

Note 3 - Detailed Notes on All Funds (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation is summarized in the following table:

Asset Type	ERS March 31, 2018		TRS June 30, 2017	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	4.55 %	35 %	5.90 %
International Equity	14	6.35	18	7.40
Private Equity	10	7.50	8	9.00
Real Estate	10	5.55	11	4.30
Domestic Fixed Income Securities	-	-	16	1.60
Global Fixed Income Securities	-	-	2	1.30
High Yield Fixed Income Securities	-	-	1	3.90
Short-Term	-	-	1	0.60
Absolute Return Strategies	2	3.75	-	-
Opportunistic Portfolio	3	5.68	-	-
Real Assets	3	5.29	-	-
Bonds and Mortgages	17	1.31	8	2.80
Cash	1	(0.25)	-	-
Inflation Indexed Bonds	4	1.25	-	-
	<u>100 %</u>		<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.5% for ERS and 2.2% for TRS.

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS. 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 System'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% for ERS and 7.25% for TRS, 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% for ERS and 6.25% for TRS) or 1 percentage point higher (8.0% for ERS and 8.25% for TRS) than the current rate:

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 ERS net pension liability (asset)	<u>\$ 6,655,848</u>	<u>\$ 879,674</u>	<u>\$ (4,006,739)</u>
	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
School District's proportionate share of the TRS net pension liability (asset)	<u>\$ 41,470,452</u>	<u>\$ (2,407,289)</u>	<u>\$ (39,152,718)</u>

The components of the collective net pension liability as of the March 31, 2018 ERS measurement date and the June 30, 2017 TRS measurement date were as follows:

	ERS	TRS
Total pension liability	\$ 183,400,590,000	\$ 114,708,261,032
Fiduciary net position	<u>180,173,145,000</u>	<u>115,468,360,316</u>
Employers' net pension liability (asset)	<u>\$ 3,227,445,000</u>	<u>\$ (760,099,284)</u>
Fiduciary net position as a percentage of total pension liability	<u>98.24%</u>	<u>100.66%</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, 2018 represent the projected employer contribution for the period April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Employee contributions are remitted monthly.

Employer and employee contributions for the year ended June 30, 2018 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, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 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 as of June 30, 2018 were \$345,795 to ERS and \$5,310,216 to TRS, which include employee contributions of \$253,404.

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.

Note 3 - Detailed Notes on All Funds (Continued)**Other Post Employment Benefit Obligations ("OPEB")**

In addition to providing pension benefits, the School District provides certain health care benefits for retired employees through a single employer defined benefit OPEB plan. 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 as noted below. 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other than Pensions"*, so the net OPEB liability is equal to the total OPEB liability. Separate financial statements are not issued for the plan.

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	395
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	600
	<u>995</u>

The School District's total OPEB liability of \$187,552,988 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.0%, average, including inflation
Discount rate	3.7%
Healthcare cost trend rates	7.0% for 2020, decreasing 0.5% per year to an ultimate rate of 4.0% for 2026 and later years
Retirees' share of benefit-related costs	Varies from 5% to 19%, depending on applicable retirement year and bargaining unit

The discount rate was based on an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO, S&P municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years).

Mortality rates were based on the RP-2014 Healthy Male and Female Tables for both pre and post retirement, projected with mortality improvements using Projections Scale AA for 3.5 years, (i.e., from date of table to the valuation date), plus ten years additional mortality improvement.

The actuarial assumptions used in the July 1, 2017 valuation were based on the most recent decrement tables for turnover, disability and retirement for ERS and TRS. ERS and TRS tables were based on a version released in 2015.

Chappaqua Central School District, New York

Notes to Financial Statements (Continued)
 June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

The School District's change in the total OPEB liability for the year ended June 30, 2018 is as follows:

Total OPEB Liability - Beginning of Year	\$ 184,082,202
Service cost	2,194,861
Interest	6,710,502
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	<u>(5,434,577)</u>
Total OPEB Liability - End of Year	<u>\$ 187,552,988</u>

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.7%) or 1 percentage point higher (4.7%) than the current discount rate:

	1% Decrease (2.7%)	Current Assumption (3.7%)	1% Increase (4.7%)
Total OPEB Liability	<u>\$ 227,192,720</u>	<u>\$ 187,552,988</u>	<u>\$ 157,894,821</u>

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.0% decreasing to 3.0%) or 1 percentage point higher (8.0% decreasing to 5.0%) than the current healthcare cost trend rates:

	1% Decrease (6.0% decreasing to 3.0%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.0%)	1% Increase (8.0% decreasing to 5.0%)
Total OPEB Liability	<u>\$ 156,009,979</u>	<u>\$ 187,552,988</u>	<u>\$ 232,977,420</u>

For the year ended June 30, 2018, the School District recognized OPEB expense of \$8,905,363 in the district-wide financial statements. At June 30, 2018, no amounts were reported in deferred outflows/inflows of resources.

Note 3 - Detailed Notes on All Funds (Continued)

F. 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.

Transfers Out	Transfer In			Total
	General Fund	Special Aid Fund	Capital Projects Fund	
General Fund	\$ -	\$ 156,799	\$ 575,000	\$ 731,799
Capital Projects Fund	5,146	-	-	5,146
	<u>\$ 5,146</u>	<u>\$ 156,799</u>	<u>\$ 575,000</u>	<u>\$ 736,945</u>

Transfers are used to move amounts earmarked in the operating funds to fulfill commitments for Special Aid and Capital Projects funds expenditures and to move unexpended debt from completed capital projects from the Capital Projects fund to the General Fund.

G. 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 Capital Projects - the component of net position that reports the amounts restricted for capital projects, exclusive of unexpended bond proceeds and unrestricted interest earning.

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 Tax Reduction - the component of net position that has been established in accordance with Education Law to provide for the reduction of school district property taxes.

Restricted for Property Loss - the component of net position that has been established in accordance with Education Law to set aside funds for the deductible provisions of the School District's insurance policies.

Note 3 - Detailed Notes on All Funds (Continued)

Restricted for Insurance - the component of net position that has been established to set aside funds to repair assets funded by insurance recoveries pursuant to Educational Law.

Restricted for Liability Claims - the component of net position that has been established to set aside funds for liability claims incurred pursuant to Education Law.

Restricted for Repairs - the component of net position that has been established in accordance with Education Law to provide funds for the repairs to capital improvements and equipment.

Restricted for Retirement Contributions - the component of net position that has been established in accordance with General Municipal Law section 6r to provide funds for the purpose of paying retirement contributions to the New York State Local Employees Retirement System (ERS).

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

Restricted for Special Purpose - 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.

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

Chappaqua Central School District, New York

Notes to Financial Statements (Continued)
June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

H. Fund Balances

	2018				2017			
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Nonspendable								
Inventories	\$ -	\$ -	\$ 2,323	\$ 2,323	\$ -	\$ -	\$ 11,011	\$ 11,011
Prepaid expenditures	1,359,779	-	-	1,359,779	1,351,166	-	-	1,351,166
Advances	850,000	-	-	850,000	850,000	-	-	850,000
Total Nonspendable	2,209,779	-	2,323	2,212,102	2,201,166	-	11,011	2,212,177
Restricted								
Tax certiorari	2,817,212	-	-	2,817,212	2,813,710	-	-	2,813,710
Tax reduction	4,687	-	-	4,687	139,513	-	-	139,513
Unemployment benefits	-	-	-	-	150,809	-	-	150,809
Property loss	59,160	-	-	59,160	59,160	-	-	59,160
Insurance	210,816	-	-	210,816	210,554	-	-	210,554
Liability claims	219,142	-	-	219,142	218,870	-	-	218,870
Employee benefit accrued liability	2,810,228	-	-	2,810,228	3,009,469	-	-	3,009,469
Repairs	137,539	-	-	137,539	137,539	-	-	137,539
Retirement contributions	1,565,198	-	-	1,565,198	1,663,128	-	-	1,663,128
Debt service	299,953	-	-	299,953	14,828	-	-	14,828
Capital projects	-	32,165,647	-	32,165,647	-	-	-	-
Future capital projects	1,565,198	-	-	1,565,198	-	-	-	-
Special purposes	-	-	57,837	57,837	-	-	52,866	52,866
Total Restricted	9,689,133	32,165,647	57,837	41,912,617	8,417,580	-	52,866	8,470,446
Assigned								
Purchases on order								
General government support	2,632,871	-	-	2,632,871	2,371,157	-	-	2,371,157
Instruction	1,840,910	-	-	1,840,910	2,796,819	-	-	2,796,819
Pupil transportation	47,350	-	-	47,350	69,697	-	-	69,697
Employee benefits	64,490	-	-	64,490	13,903	-	-	13,903
	4,585,621	-	-	4,585,621	5,251,576	-	-	5,251,576
Subsequent year's expenditures from								
Retirement contribution restriction	100,000	-	-	100,000	100,000	-	-	100,000
Tax reduction	135,000	-	-	135,000	-	-	-	-
Unassigned fund balance	2,320,818	-	-	2,320,818	1,900,000	-	-	1,900,000
School lunch fund	-	-	193,538	193,538	-	-	115,505	115,505
	2,555,818	-	193,538	2,749,356	2,000,000	-	115,505	2,115,505
Total Assigned	7,141,439	-	193,538	7,334,977	7,251,576	-	115,505	7,367,081
Unassigned	4,902,400	-	-	4,902,400	4,782,866	(2,396,465)	-	2,386,401
Total Fund Balances	\$ 23,942,751	\$ 32,165,647	\$ 253,698	\$ 56,362,096	\$ 22,653,188	\$ (2,396,465)	\$ 179,382	\$ 20,436,105

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.

Advances 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 amounts advanced to the Special Aid Fund that will not be repaid within one year.

Employee Benefit Accrued Liability - the component of fund balance that has been restricted pursuant to Section 6-p of the General Municipal Law of the State of New York to provide funds for the payment of unused sick time and other forms of 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, 2018, the Board of Education has assigned the above amounts to be appropriated for the ensuing year's budget.

Assigned for School Lunch represents the component of fund balance that reports the difference between assets and liabilities in the School Lunch Fund.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or committed.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

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.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

At the end of June 30, 2018, the School District was involved in several tuition reimbursement matters in which the parents of the students have requested an impartial hearing seeking tuition reimbursement at private schools. If the parents are successful, the School District could be obligated for tuition reimbursement and the parents' attorney's fees. The total amount of these obligations are currently unknown. These cases are presently being defended aggressively, and in the opinion of the District's counsel, the outcome is indeterminable at this time.

In addition, there are currently five civil matters, involving seven plaintiffs against the School District regarding allegations of sexual abuse against a former drama teacher. Summonses and Complaints have been filed by six plaintiffs and Answers have been interposed. One of the plaintiffs has filed a Summons and Complaint in Federal Court and an answer has been interposed. The potential loss is within the New York State Insurance Reciprocal ("NYSIR"), School District insurance carrier, applicable policy limits according to the attorneys assigned to the civil cases by NYSIR.

B. Contingencies

The School District participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Single Audit Act. 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 to be 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.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

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. The School District maintains liability coverage for school board members up to \$1 million. The School District also maintains an umbrella policy with coverage up to \$25 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District and neighboring school districts in Northern Westchester and Putnam Counties participate in the Westchester-Putnam 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.

The School District and neighboring school districts in Northern Westchester and Putnam Counties participate in the Northern Westchester – Putnam School Cooperative Medical Expense Benefit Plan. The Plan operates under an agreement dated February 17, 1987. The purposes of the Plan are to provide for the efficient and economical evaluation, processing, administration and payment of claims against Plan members for medical expenses through self-insurance and to provide for centralized administration, funding and disbursements for such services. The governance of the Plan rests in the Board of Trustees, which shall consist of five Trustees selected by the Plan members. A majority of the total number of Trustees shall be required to take any actions. The billings are based upon coverages provided each participant's employees. The School District has transferred all related risk to the Plan.

D. Leases

The School District leases office facilities and equipment under noncancelable operating leases. The total cost for these leases was \$193,400 for the year ended June 30, 2018. The future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2019	\$ 193,762
2020	39,396
2021	50,316
2022	<u>1,449</u>
	<u>\$ 284,923</u>

(This page intentionally left blank)

Chappaqua Central School District, New York

Required Supplementary Information - Schedule of Changes in the School District's Total OPEB Liability and Related Ratios Last Ten Fiscal Years (1)

	<u>2018</u>
Total OPEB Liability:	
Service cost	\$ 2,194,861
Interest	6,710,502
Difference between expected and actual experience	-
Changes of benefit terms	-
Changes of assumptions or other inputs	-
Benefit payments	<u>(5,434,577)</u>
Net Change in Total OPEB Liability	3,470,786
Total OPEB Liability – Beginning of Year	<u>184,082,202 (2)</u>
Total OPEB Liability – End of Year	<u><u>\$ 187,552,988</u></u>
School District's covered payroll	<u><u>\$ 58,345,696</u></u>
Total OPEB liability as a percentage of covered payroll	<u><u>321%</u></u>

Notes to Schedule:

(1) Data not available prior to fiscal year 2018 implementation of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

(2) Restated for the implementation of the provisions of GASB Statement No. 75.

(3) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 pay related benefits.

See independent auditors' report.

Chappaqua Central 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)

	2018 (3)	2017 (2)	2016	2015
School District's proportion of the net pension liability (asset)	<u>0.316707%</u>	<u>0.323428%</u>	<u>0.331148%</u>	<u>0.336998%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ (2,407,289)</u>	<u>\$ 3,464,044</u>	<u>\$ (34,395,696)</u>	<u>\$ (37,539,478)</u>
School District's covered payroll	<u>\$ 53,093,788</u>	<u>\$ 50,729,623</u>	<u>\$ 50,609,401</u>	<u>\$ 50,635,655</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>4.53%</u>	<u>6.83%</u>	<u>67.96%</u>	<u>74.14%</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	<u>100.66%</u>	<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.

(3) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.25% effective with the June 30, 2017 measurement date.

Chappaqua Central School District, New YorkRequired Supplementary Information - Schedule of Contributions
New York State Teachers' Retirement System
Last Ten Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,056,812	\$ 6,222,592	\$ 6,726,748	\$ 8,871,828
Contributions in relation to the contractually required contribution	<u>(5,056,812)</u>	<u>(6,222,592)</u>	<u>(6,726,748)</u>	<u>(8,871,828)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 51,600,127</u>	<u>\$ 53,093,788</u>	<u>\$ 50,729,623</u>	<u>\$ 50,609,401</u>
Contributions as a percentage of covered payroll	<u>9.80%</u>	<u>11.72%</u>	<u>13.26%</u>	<u>17.53%</u>

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

Chappaqua Central 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)

	2018	2017	2016 (2)	2015
School District's proportion of the net pension liability	<u>0.0320008%</u>	<u>0.0325663%</u>	<u>0.0323534%</u>	<u>0.0335254%</u>
School District's proportionate share of the net pension liability	<u>\$ 879,674</u>	<u>\$ 2,561,529</u>	<u>\$ 4,413,891</u>	<u>\$ 1,132,570</u>
School District's covered payroll	<u>\$ 9,454,210</u>	<u>\$ 10,351,599</u>	<u>\$ 9,891,195</u>	<u>\$ 8,900,621</u>
School District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>9.30%</u>	<u>24.75%</u>	<u>44.62%</u>	<u>12.72%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>98.24%</u>	<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 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 7.5% to 7.0% effective with the March 31, 2016 measurement.

Chappaqua Central School District, New York**Required Supplementary Information - Schedule of Contributions
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,692,938	\$ 1,625,564	\$ 1,554,491	\$ 1,708,720
Contributions in relation to the contractually required contribution	<u>(1,692,938)</u>	<u>(1,625,564)</u>	<u>(1,554,491)</u>	<u>(1,708,720)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 9,482,190</u>	<u>\$ 9,438,329</u>	<u>\$ 9,048,078</u>	<u>\$ 8,900,621</u>
Contributions as a percentage of covered payroll	<u>17.85%</u>	<u>17.22%</u>	<u>17.18%</u>	<u>19.20%</u>

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

(This page intentionally left blank)

Chappaqua Central School District, New York

General Fund
Comparative Balance Sheet
June 30,

	2018	2017
ASSETS		
Cash and equivalents	\$ 54,274,760	\$ 24,735,802
Receivables		
Accounts	10,133	111
State and Federal aid	852,299	800,154
Due from other funds	1,046,757	2,694,431
Advances to other funds	850,000	850,000
	2,759,189	4,344,696
Prepaid expenditures	1,359,779	1,351,166
Total Assets	<u>\$ 58,393,728</u>	<u>\$ 30,431,664</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 314,196	\$ 49,895
Accrued liabilities	1,966,654	860,585
Due to other funds	26,193,637	12,129
Due to retirement systems	5,656,011	6,583,641
Due to other governments	315,337	265,359
Unearned revenues	5,142	6,867
Total Liabilities	34,450,977	7,778,476
Fund balance		
Nonspendable	2,209,779	2,201,166
Restricted	9,689,133	8,417,580
Assigned	7,141,439	7,251,576
Unassigned	4,902,400	4,782,866
Total Fund Balance	23,942,751	22,653,188
Total Liabilities and Fund Balance	<u>\$ 58,393,728</u>	<u>\$ 30,431,664</u>

See independent auditors' report.

Chappaqua Central School District, New York

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

	2018				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbrances	
REVENUES					
Real property taxes	\$ 101,419,422	\$ 101,419,422	\$ 101,419,422	\$	\$ -
Other tax items	5,306,724	5,306,724	5,306,724		-
Non-property taxes	835,000	835,000	897,424		62,424
Charges for services	498,319	498,319	512,926		14,607
Use of money and property	210,000	210,000	536,026		326,026
State aid	8,752,223	8,752,223	9,350,934		598,711
Federal aid	-	-	25		25
Miscellaneous	550,000	619,373	917,640		298,267
Total Revenues	117,571,688	117,641,061	118,941,121		1,300,060
EXPENDITURES					
Current					
General support					
Board of education	82,917	73,313	73,313	-	-
Central administration	394,785	386,280	384,109	611	1,560
Finance	1,284,295	1,386,470	1,259,362	127,108	-
Staff	990,704	910,646	746,507	164,091	48
Central services	11,270,836	12,471,240	10,168,827	2,244,122	58,291
Special items	1,753,262	1,955,543	1,854,662	96,939	3,942
Total General Support	15,776,799	17,183,492	14,486,780	2,632,871	63,841
Instruction					
Instruction, administration and improvement	5,391,947	5,185,256	4,648,181	35,450	501,625
Teaching - Regular school	41,453,289	42,154,281	40,151,839	1,457,195	545,247
Programs for students with disabilities	12,519,924	12,379,960	11,530,795	119,289	729,876
Teaching - Special schools	271,319	273,019	273,019	-	-
Instructional media	3,232,134	3,553,434	3,367,023	131,756	54,655
Pupil services	6,891,712	6,918,812	6,621,591	97,220	200,001
Total Instruction	69,760,325	70,464,762	66,592,448	1,840,910	2,031,404
Pupil transportation	6,716,386	6,694,372	6,421,411	47,350	225,611
Community services	22,754	22,754	19,928	-	2,826
Employee benefits	26,133,045	24,158,921	23,991,239	64,490	103,192
Debt service					
Principal	4,245,761	3,962,286	3,962,286	-	-
Interest	1,428,194	1,666,050	1,666,050	-	-
Total Expenditures	124,083,264	124,152,637	117,140,142	4,585,621	2,426,874
Excess (Deficiency) of Revenues Over Expenditures	(6,511,576)	(6,511,576)	1,800,979	(4,585,621)	3,726,934
OTHER FINANCING SOURCES (USES)					
Issuance premium	-	-	215,237	-	215,237
Transfers in	-	-	5,146	-	5,146
Transfers out	(740,000)	(740,000)	(731,799)	-	8,201
Total Other Financing Uses	(740,000)	(740,000)	(511,416)	-	228,584
Net Change in Fund Balance	(7,251,576)	(7,251,576)	1,289,563	\$ (4,585,621)	\$ 3,955,518
FUND BALANCE					
Beginning of Year	7,251,576	7,251,576	22,653,188		
End of Year	\$ -	\$ -	\$ 23,942,751		

See independent auditors' report.

2017				
Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
\$ 100,338,003	\$ 100,338,003	\$ 100,338,003	\$	\$ -
5,630,113	5,630,113	5,630,113		-
835,000	835,000	855,701		20,701
465,000	465,000	565,162		100,162
235,000	235,000	262,199		27,199
8,172,172	8,172,172	9,190,510		1,018,338
-	-	59,490		59,490
550,000	594,489	889,744		295,255
116,225,288	116,269,777	117,790,922		1,521,145
44,629	132,841	90,464	28,616	13,761
412,951	638,909	618,244	15,560	5,105
1,148,097	1,406,375	1,223,235	167,083	16,057
927,066	853,678	703,230	141,677	8,771
10,722,750	11,639,609	9,580,721	2,018,221	40,667
1,734,558	1,638,052	1,628,463	-	9,589
14,990,051	16,309,464	13,844,357	2,371,157	93,950
5,265,687	5,138,415	5,065,226	14,631	58,558
39,583,086	41,234,138	38,755,217	2,181,966	296,955
13,000,965	11,765,027	11,734,425	-	30,602
261,319	314,912	308,937	-	5,975
3,154,757	3,298,665	3,151,962	136,285	10,418
6,311,211	6,652,288	6,131,230	463,937	57,121
67,577,025	68,403,445	65,146,997	2,796,819	459,629
6,637,190	6,412,158	6,337,639	69,697	4,822
21,914	22,754	22,754	-	-
25,991,235	24,376,996	24,303,088	13,903	60,005
3,817,757	3,600,554	3,600,554	-	-
1,599,975	1,576,538	1,576,508	-	30
120,635,147	120,701,909	114,831,897	5,251,576	618,436
(4,409,859)	(4,432,132)	2,959,025	(5,251,576)	2,139,581
-	-	-	-	-
(750,000)	(727,727)	(727,727)	-	-
(750,000)	(727,727)	(727,727)	-	-
(5,159,859)	(5,159,859)	2,231,298	\$ (5,251,576)	\$ 2,139,581
5,159,859	5,159,859	20,421,890		
\$ -	\$ -	\$ 22,653,188		

Chappaqua Central School District, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	\$ 101,419,422	\$ 101,419,422	\$ 101,419,422	\$ -
OTHER TAX ITEMS				
School tax relief reimbursement	5,306,724	5,306,724	5,306,724	-
NON-PROPERTY TAXES				
Non-property tax distribution from County	835,000	835,000	897,424	62,424
CHARGES FOR SERVICES				
Continuing education tuition	271,319	271,319	293,382	22,063
Other student fees and charges	227,000	227,000	219,544	(7,456)
	498,319	498,319	512,926	14,607
USE OF MONEY AND PROPERTY				
Earnings on investments	75,000	75,000	424,950	349,950
Rental of real property	135,000	135,000	109,696	(25,304)
Commissions	-	-	1,380	1,380
	210,000	210,000	536,026	326,026
STATE AID				
Basic formula	6,487,223	6,487,223	6,799,736	312,513
BOCES	1,100,000	1,100,000	1,094,351	(5,649)
Textbooks	175,000	175,000	168,675	(6,325)
Lottery	890,000	890,000	735,844	(154,156)
Computer software aid	75,000	75,000	72,834	(2,166)
Library aid	25,000	25,000	23,931	(1,069)
Tuition aided handicapped	-	-	96,843	96,843
Homeless aid	-	-	358,720	358,720
	8,752,223	8,752,223	9,350,934	598,711

FEDERAL AID

Medical assistance	-	-	25	25
--------------------	---	---	----	----

MISCELLANEOUS

Refund of prior year's expenditures	150,000	150,000	477,236	327,236
Refund of BOCES aided services	150,000	150,000	86,016	(63,984)
Gifts and donations	-	69,373	69,373	-
Other	250,000	250,000	285,015	35,015

	550,000	619,373	917,640	298,267
--	---------	---------	---------	---------

TOTAL REVENUES

	117,571,688	117,641,061	118,941,121	1,300,060
--	-------------	-------------	-------------	-----------

OTHER FINANCING SOURCES

Issuance premium	-	-	215,237	215,237
Transfers in - Capital Projects Fund	-	-	5,146	5,146

TOTAL OTHER FINANCING SOURCES

	-	-	220,383	220,383
--	---	---	---------	---------

**TOTAL REVENUES AND OTHER
FINANCING SOURCES**

	<u>\$ 117,571,688</u>	<u>\$ 117,641,061</u>	<u>\$ 119,161,504</u>	<u>\$ 1,520,443</u>
--	-----------------------	-----------------------	-----------------------	---------------------

See independent auditors' report.

Chappaqua Central School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 40,570	\$ 36,995	\$ 36,995	\$ -	\$ -
District clerk	25,747	19,735	19,735	-	-
District meeting	16,600	16,583	16,583	-	-
Total Board of Education	82,917	73,313	73,313	-	-
CENTRAL ADMINISTRATION					
Chief school administrator	394,785	386,280	384,109	611	1,560
FINANCE					
Business administration	1,175,720	1,286,625	1,162,003	124,622	-
Accounting and auditing	108,575	99,845	97,359	2,486	-
Total Finance	1,284,295	1,386,470	1,259,362	127,108	-
STAFF					
Legal	500,677	438,339	289,248	149,091	-
Personnel	417,942	402,236	387,188	15,000	48
Public information and services	72,085	70,071	70,071	-	-
Total Staff	990,704	910,646	746,507	164,091	48

CENTRAL SERVICES

Operation of plant	7,319,950	8,642,020	7,086,821	1,496,908	58,291
Maintenance of plant	3,950,886	3,829,220	3,082,006	747,214	-

Total Central Services	11,270,836	12,471,240	10,168,827	2,244,122	58,291
------------------------	------------	------------	------------	-----------	--------

SPECIAL ITEMS

Unallocated insurance	475,000	475,000	374,158	96,900	3,942
Judgments and claims	250,000	245,000	245,000	-	-
School association dues	23,000	21,318	21,279	39	-
Assessments on school property	65,000	61,556	61,556	-	-
Refunds of real property taxes	100,000	178,639	178,639	-	-
Administrative charge - BOCES	840,262	974,030	974,030	-	-

Total Special Items	1,753,262	1,955,543	1,854,662	96,939	3,942
---------------------	-----------	-----------	-----------	--------	-------

Total General Support	15,776,799	17,183,492	14,486,780	2,632,871	63,841
-----------------------	------------	------------	------------	-----------	--------

INSTRUCTION

88

**INSTRUCTION, ADMINISTRATION
AND IMPROVEMENT**

Curriculum development and supervision	1,569,368	1,378,726	974,159	31,863	372,704
Supervision - Regular school	3,806,079	3,797,530	3,665,047	3,587	128,896
Research, planning and evaluation	16,500	9,000	8,975	-	25

Total Instruction, Administration and Improvement	5,391,947	5,185,256	4,648,181	35,450	501,625
--	-----------	-----------	-----------	--------	---------

TEACHING - REGULAR SCHOOL	41,453,289	42,154,281	40,151,839	1,457,195	545,247
----------------------------------	------------	------------	------------	-----------	---------

PROGRAMS FOR STUDENTS WITH DISABILITIES	12,519,924	12,379,960	11,530,795	119,289	729,876
--	------------	------------	------------	---------	---------

TEACHING - SPECIAL SCHOOLS	271,319	273,019	273,019	-	-
-----------------------------------	---------	---------	---------	---	---

(Continued)

Chappaqua Central School District, New York

General Fund

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

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
INSTRUCTION (Continued)					
INSTRUCTIONAL MEDIA					
School library and audiovisual	\$ 1,120,416	\$ 1,117,328	\$ 1,089,776	\$ 3,681	\$ 23,871
Computer assisted instruction	2,111,718	2,436,106	2,277,247	128,075	30,784
Total Instructional Media	3,232,134	3,553,434	3,367,023	131,756	54,655
PUPIL SERVICES					
Attendance - Regular school	46,772	46,772	43,125	-	3,647
Guidance - Regular school	2,418,227	2,423,610	2,278,825	2,057	142,728
Health services - Regular school	863,584	838,018	751,164	36,457	50,397
Psychological services - Regular school	1,326,791	1,328,308	1,328,308	-	-
Co-curricular activities - Regular school	394,449	417,184	414,448	-	2,736
Interscholastic athletics - Regular school	1,841,889	1,864,920	1,805,721	58,706	493
Total Pupil Services	6,891,712	6,918,812	6,621,591	97,220	200,001
Total Instruction	69,760,325	70,464,762	66,592,448	1,840,910	2,031,404
PUPIL TRANSPORTATION					
Contract and public carrier transportation	6,716,386	6,694,372	6,421,411	47,350	225,611
COMMUNITY SERVICES					
Census	22,754	22,754	19,928	-	2,826

EMPLOYEE BENEFITS

State retirement	1,465,950	1,465,950	1,428,478	-	37,472
Teachers' retirement	5,357,620	4,905,936	4,903,930	-	2,006
Social security	4,732,310	4,313,310	4,312,442	-	868
Hospital and medical insurance	13,169,252	11,921,664	11,901,326	-	20,338
Dental and vision insurance	102,003	102,797	102,797	-	-
Workers' compensation benefits	348,903	348,903	322,362	-	26,541
Unemployment benefits	100,000	100,000	35,510	64,490	-
Disability insurance	19,247	19,247	18,311	-	936
Life insurance	30,000	30,000	16,246	-	13,754
Union welfare benefits	790,760	794,380	794,380	-	-
Other benefits	17,000	156,734	155,457	-	1,277
Total Employee Benefits	26,133,045	24,158,921	23,991,239	64,490	103,192

DEBT SERVICE

Principal

Serial bonds	2,785,000	2,785,000	2,785,000	-	-
Energy performance contract debt	930,767	930,766	930,766	-	-
Installment purchase debt	529,994	246,520	246,520	-	-
	4,245,761	3,962,286	3,962,286	-	-

Interest

Serial bonds	1,145,006	1,382,861	1,382,861	-	-
Energy performance contract debt	274,154	274,154	274,154	-	-
Installment purchase debt	9,034	9,035	9,035	-	-
	1,428,194	1,666,050	1,666,050	-	-

Total Debt Service

5,673,955	5,628,336	5,628,336	-	-
------------------	------------------	------------------	----------	----------

TOTAL EXPENDITURES

124,083,264	124,152,637	117,140,142	4,585,621	2,426,874
--------------------	--------------------	--------------------	------------------	------------------

OTHER FINANCING USES

Transfers out

Special Aid Fund	165,000	165,000	156,799	-	8,201
Capital Projects Fund	575,000	575,000	575,000	-	-

TOTAL OTHER FINANCING USES

740,000	740,000	731,799	-	8,201
----------------	----------------	----------------	----------	--------------

**TOTAL EXPENDITURES AND
OTHER FINANCING USES**

\$ 124,823,264	\$ 124,892,637	\$ 117,871,941	\$ 4,585,621	\$ 2,435,075
-----------------------	-----------------------	-----------------------	---------------------	---------------------

See independent auditors' report.

(This page intentionally left blank)

Chappaqua Central School District, New York

Special Aid Fund
Comparative Balance Sheet
June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	\$ 19,481	\$ 109,782
State and Federal aid receivable	<u>1,516,200</u>	<u>1,536,573</u>
 Total Assets	 <u>\$ 1,535,681</u>	 <u>\$ 1,646,355</u>
 LIABILITIES		
Liabilities		
Due to other funds	\$ 685,681	\$ 796,355
Advances from other funds	<u>850,000</u>	<u>850,000</u>
 Total Liabilities	 <u>\$ 1,535,681</u>	 <u>\$ 1,646,355</u>

See independent auditors' report.

Chappaqua Central School District, New York**Special Aid Fund****Comparative Schedule of Revenues, Expenditures and****Changes in Fund Balance - Budget and Actual****Years Ended June 30,**

	2018			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State aid	\$ 662,797	\$ 670,998	\$ 670,997	\$ (1)
Federal aid	1,181,832	1,176,958	1,046,754	(130,204)
Total Revenues	1,844,629	1,847,956	1,717,751	(130,205)
EXPENDITURES				
Current				
Instruction	2,009,629	2,012,956	1,874,550	138,406
Deficiency of Revenues Over Expenditures	(165,000)	(165,000)	(156,799)	8,201
OTHER FINANCING SOURCES				
Transfers in	165,000	165,000	156,799	(8,201)
Net Change in Fund Balance	-	-	-	-
FUND BALANCE				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

2017			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 605,828	\$ 628,099	\$ 628,098	\$ (1)
1,164,806	1,179,436	1,025,341	(154,095)
1,770,634	1,807,535	1,653,439	(154,096)
1,945,634	1,960,262	1,806,166	154,096
(175,000)	(152,727)	(152,727)	-
175,000	152,727	152,727	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Chappaqua Central School District, New York

Capital Projects Fund
Comparative Balance Sheet
June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	\$ 7,677,323	\$ 427,468
Restricted cash	-	388,529
Due from other funds	<u>26,185,237</u>	<u>-</u>
Total Assets	<u>\$ 33,862,560</u>	<u>\$ 815,997</u>
LIABILITIES AND FUND BALANCE (DEFICIT)		
Liabilities		
Accounts payable	\$ 1,335,837	\$ 1,314,386
Due to other funds	<u>361,076</u>	<u>1,898,076</u>
Total Liabilities	<u>1,696,913</u>	<u>3,212,462</u>
Fund balance (deficit)		
Restricted	32,165,647	-
Unrestricted	<u>-</u>	<u>(2,396,465)</u>
Total Fund Balance (Deficit)	<u>32,165,647</u>	<u>(2,396,465)</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 33,862,560</u>	<u>\$ 815,997</u>

See independent auditors' report.

Chappaqua Central School District, New York**Capital Projects Fund
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Years Ended June 30,**

	<u>2018</u>	<u>2017</u>
REVENUES		
Miscellaneous	\$ 1,200,245	\$ 2,471
EXPENDITURES		
Capital outlay	<u>9,707,987</u>	<u>6,971,584</u>
Deficiency of Revenues Over Expenditures	<u>(8,507,742)</u>	<u>(6,969,113)</u>
OTHER FINANCING SOURCES (USES)		
Bonds issued	42,500,000	-
Energy performance contract debt issued	-	3,383,396
Transfers in	575,000	575,000
Transfers out	<u>(5,146)</u>	<u>-</u>
Total Other Financing Sources	<u>43,069,854</u>	<u>3,958,396</u>
Net Change in Fund Balance	34,562,112	(3,010,717)
FUND BALANCE (DEFICIT)		
Beginning of Year	<u>(2,396,465)</u>	<u>614,252</u>
End of Year	<u>\$ 32,165,647</u>	<u>\$ (2,396,465)</u>

See independent auditors' report.

Chappaqua Central School District, New York

Capital Projects Fund

Project-Length Schedule

Inception of Project Through June 30, 2018

PROJECT	Authorization	Expenditures and Transfers to Date			Unexpended Balance
		Prior Years	Current Year	Total	
EPC Project	\$ 3,386,112	\$ 3,152,746	\$ 233,366	\$ 3,386,112	\$ -
Back Flow Preventers	317,012	5,166	311,846	317,012	-
Asbestos Tile Removal/Replacement	132,300	75,540	-	75,540	56,760
Bell Middle School Roof Replacement	195,000	67,010	115,436	182,446	12,554
School - Wide Improvements	42,500,000	3,056,870	8,102,483	11,159,353	31,340,647
Smart School Bond Act	686,946	-	87,672	87,672	599,274
Fitness Center	600,000	-	-	-	600,000
Bell Parking Lot	900,000	-	862,330	862,330	37,670
Horace Greeley K Building Roof	225,000	-	-	-	225,000
Horace Greeley Laser Cutter	50,000	-	-	-	50,000
Totals	<u>\$ 48,992,370</u>	<u>\$ 6,357,332</u>	<u>\$ 9,713,133</u>	<u>\$ 16,070,465</u>	<u>\$ 32,921,905</u>

See independent auditors' report.

Methods of Financing				Fund Balance (Deficit) at June 30, 2018
Proceeds of Obligations	Transfers	Miscellaneous	Totals	
\$ 3,383,396	\$ -	\$ 2,716	\$ 3,386,112	\$ -
-	247,700	-	247,700	(69,312)
-	132,300	-	132,300	56,760
-	195,000	-	195,000	12,554
42,500,000	-	-	42,500,000	31,340,647
-	-	-	-	(87,672)
-	-	600,000	600,000	600,000
-	300,000	600,000	900,000	37,670
-	225,000	-	225,000	225,000
-	50,000	-	50,000	50,000
<u>\$ 45,883,396</u>	<u>\$ 1,150,000</u>	<u>\$ 1,202,716</u>	<u>\$ 48,236,112</u>	<u>\$ 32,165,647</u>

Chappaqua Central School District, New York

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018
(With Comparative Totals for 2017)

			Total Non-Major Governmental Funds	
	School Lunch	Special Purpose	2018	2017
ASSETS				
Cash and equivalents	\$ 272,245	\$ 49,437	\$ 321,682	\$ 254,684
Receivables				
Accounts	13,865	-	13,865	9,573
State and Federal aid	19,165	-	19,165	7,491
Due from other funds	-	8,400	8,400	12,129
	33,030	8,400	41,430	29,193
Inventories	2,323	-	2,323	11,011
Total Assets	\$ 307,598	\$ 57,837	\$ 365,435	\$ 294,888
LIABILITIES AND FUND BALANCES				
Liabilities				
Unearned revenues	\$ 111,737	\$ -	\$ 111,737	\$ 115,506
Fund balances				
Nonspendable	2,323	-	2,323	11,011
Restricted	-	57,837	57,837	52,866
Assigned	193,538	-	193,538	115,505
Total Fund Balances	195,861	57,837	253,698	179,382
Total Liabilities and Fund Balances	\$ 307,598	\$ 57,837	\$ 365,435	\$ 294,888

See independent auditors' report.

Chappaqua Central School District, New York

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2018
(With Comparative Totals for 2017)

			Total Non-Major Governmental Funds	
	School Lunch	Special Purpose	2018	2017
REVENUES				
Use of money and property	\$ 712	\$ 13	\$ 725	\$ 296
State aid	9,866	-	9,866	10,014
Federal aid	146,544	-	146,544	108,966
Food sales	1,891,633	-	1,891,633	1,863,438
Miscellaneous	15,354	9,000	24,354	9,097
Total Revenues	2,064,109	9,013	2,073,122	1,991,811
EXPENDITURES				
Current				
Cost of food sales	1,994,764	-	1,994,764	1,885,499
Other	-	4,042	4,042	3,108
Total Expenditures	1,994,764	4,042	1,998,806	1,888,607
Excess of Revenues Over Expenditures	69,345	4,971	74,316	103,204
FUND BALANCES				
Beginning of Year	126,516	52,866	179,382	76,178
End of Year	\$ 195,861	\$ 57,837	\$ 253,698	\$ 179,382

See independent auditors' report.

Chappaqua Central School District, New York

School Lunch Fund
Comparative Balance Sheet
June 30,

	2018	2017
ASSETS		
Cash and equivalents	<u>\$ 272,245</u>	<u>\$ 201,818</u>
Receivables		
Accounts	13,865	9,573
State and Federal aid	19,165	7,491
Due from other funds	<u>-</u>	<u>12,129</u>
	<u>33,030</u>	<u>29,193</u>
Inventories	<u>2,323</u>	<u>11,011</u>
Total Assets	<u><u>\$ 307,598</u></u>	<u><u>\$ 242,022</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Unearned revenues	<u>\$ 111,737</u>	<u>\$ 115,506</u>
Fund balance		
Nonspendable	2,323	11,011
Assigned	<u>193,538</u>	<u>115,505</u>
Total Fund Balance	<u>195,861</u>	<u>126,516</u>
Total Liabilities and Fund Balance	<u><u>\$ 307,598</u></u>	<u><u>\$ 242,022</u></u>

See independent auditors' report.

Chappaqua Central School District, New York

School Lunch Fund

Comparative Statement of Revenues, Expenditures and

Changes in Fund Balance

Years Ended June 30,

	<u>2018</u>	<u>2017</u>
REVENUES		
Use of money and property	\$ 712	\$ 290
State aid	9,866	10,014
Federal aid	146,544	108,966
Food sales	1,891,633	1,863,438
Miscellaneous	<u>15,354</u>	<u>7,907</u>
Total Revenues	2,064,109	1,990,615
EXPENDITURES		
Current		
Cost of food sales	<u>1,994,764</u>	<u>1,885,499</u>
Excess of Revenues Over Expenditures	69,345	105,116
FUND BALANCE		
Beginning of Year	<u>126,516</u>	<u>21,400</u>
End of Year	<u>\$ 195,861</u>	<u>\$ 126,516</u>

See independent auditors' report.

Chappaqua Central School District, New York

Special Purpose Fund
Comparative Balance Sheet
June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	\$ 49,437	\$ 52,866
Due from other funds	<u>8,400</u>	<u>-</u>
Total Assets	<u>\$ 57,837</u>	<u>\$ 52,866</u>
 FUND BALANCE		
Restricted	<u>\$ 57,837</u>	<u>\$ 52,866</u>

See independent auditors' report.

Chappaqua Central School District, New York

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

	<u>2018</u>	<u>2017</u>
REVENUES		
Use of money and property	\$ 13	\$ 6
Miscellaneous	<u>9,000</u>	<u>1,190</u>
Total Revenues	9,013	1,196
EXPENDITURES		
Current		
Other	<u>4,042</u>	<u>3,108</u>
Excess (Deficiency) of Revenues Over Expenditures	4,971	(1,912)
FUND BALANCE		
Beginning of Year	<u>52,866</u>	<u>54,778</u>
End of Year	<u>\$ 57,837</u>	<u>\$ 52,866</u>

See independent auditors' report.

Chappaqua Central School District, New York

General Fund

Analysis of Change from Adopted Budget to Final Budget Year Ended June 30, 2018

Adopted Budget		\$ 119,571,688
Additions		
Encumbrances		<u>5,251,576</u>
Original Budget		124,823,264
Budget Amendments		<u>69,373</u>
Final Budget		<u><u>\$ 124,892,637</u></u>

General Fund

Section 1318 of Real Property Tax Law Limit Calculation Year Ended June 30, 2018

2018-19 Expenditure Budget		\$ <u>122,559,988</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		
Unrestricted fund balance		
Assigned fund balance	7,141,439	
Unassigned fund balance	<u>4,902,400</u>	
Total Unrestricted Fund Balance	<u>12,043,839</u>	
Less		
Appropriated for subsequent year's budget	2,555,818	
Encumbrances	<u>4,585,621</u>	
Total Adjustments	<u>7,141,439</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$ 4,902,400</u></u>
Actual Percentage		<u><u>4.00%</u></u>

See independent auditors' report.

Chappaqua Central School District, New York

Schedule of Net Investment In Capital Assets
Year Ended June 30, 2018

Capital Assets, net		\$	120,548,049
Less			
Bonds Payable	(69,975,000)		
Energy Performance Contract Debt Payable	(11,137,474)		
Installment Purchase Debt Payable	(102,633)		
Unamortized Portion of Premium	<u>(2,287,397)</u>		(83,502,504)
Plus			
Unexpended Debt Proceeds	31,340,647		
Unamortized Portion of Loss on Refunding	<u>1,348,209</u>		<u>32,688,856</u>
Net Investment in Capital Assets		\$	<u>69,734,401</u>

See independent auditors' report.

(This page intentionally left blank)

**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
Chappaqua Central 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 Chappaqua Central School District, New York ("School District") as of and for the year ended June 30, 2018, 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 14, 2018.

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 14, 2018

**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
Chappaqua Central School District, New York**

Report on Compliance for Each Major Federal Program

We have audited the Chappaqua Central 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, 2018. 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 the 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, the 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, 2018.

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 14, 2018

Chappaqua Central School District, New York

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number</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>				
National School Lunch Program (NSLP) - Commodities	10.555		\$ -	\$ 59,711
National School Lunch Program (NSLP) - Cash	10.555		-	86,833
Total U.S. Department of Agriculture			-	146,544
<u>U.S. Department of Education</u>				
Indirect Programs - Passed through New York State Department of Education				
<i>Special Education Cluster (IDEA)</i>				
Special Education - Grants to States (IDEA, Part B)	84.027	032-18-1067	-	695,811
Special Education - Preschool Grants (IDEA Preschool)	84.173	033-18-1067	-	17,202
			-	713,013
Supporting Effective Instruction State Grants	84.367	147-17-3700	-	17,886
Supporting Effective Instruction State Grants	84.367	147-18-3700	-	75,072
			-	92,958
Title I Grants to Local Educational Agencies	84.010	021-17-3700	-	125,847
Title I Grants to Local Educational Agencies	84.010	021-18-3700	-	114,936
			-	240,783
Total U.S. Department of Education			-	1,046,754
Total			\$ -	\$ 1,193,298

(1) Catalog of Federal Domestic Assistance number.

The accompanying notes are an integral part of this schedule.

Chappaqua Central School District, New York

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Chappaqua Central School District, New York ("School District") under programs of the federal government for the year ended June 30, 2018. 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.

Chappaqua Central School District, New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

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 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 (IDEA):
Special Education - Grants to States (IDEA, Part B)
Special Education - Preschool Grants (IDEA Preschool)

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

\$750,000
X Yes ____ No

Chappaqua Central School District, New York

Schedule of Findings and Questioned Costs (Concluded)
Year Ended June 30, 2018

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Chappaqua Central School District, New York

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

None