

PORT CHESTER - RYE
UNION FREE SCHOOL DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITOR'S REPORTS

June 30, 2019

PORT CHESTER – RYE UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Port Chester-Rye Union Free School District
Port Chester, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Port Chester-Rye Union Free School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 fiduciary funds of the Port Chester-Rye Union Free School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 15 and 52 through 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port Chester-Rye Union Free School District's basic financial statements. The other supplementary information on pages 57 through 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019 on our consideration of the Port Chester-Rye Union Free 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 Port Chester-Rye Union Free 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 Port Chester-Rye Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

September 23, 2019

The Port Chester-Rye Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019 in comparison with the year ended June 30, 2018, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- On the Balance Sheet, the District's general fund reported unassigned fund balance at June 30, 2019 of $3,577,948, an increase of $627,719 over the amount reported at June 30, 2018.

- New York State law limits the amount of unassigned fund balance that can be retained by the general fund to 4% of the ensuing year's budget. At the end of the current fiscal year, the unassigned fund balance of the general fund noted above was at 3.45% and, therefore, within the statutory limit.

- The District established the teachers' retirement system contribution reserve, which limits the annual contribution to 2% of prior year's covered TRS salaries. This reserve was funded during the 2018-2019 year in the amount of $490,000.

- The general fund's total fund balance, at June 30, 2019, increased by $2,118,921 to $9,709,479.

- In 2018-2019, a budget was prepared for the 2019-2020 school year, in the amount of $103,751,836, and was approved by the voters on May 21, 2019. The 2019-2020 budget was prepared with a reduction of the reliance on fund balance. This budget also stays within the New York State Tax Cap legislation (5.44% tax levy increase) and a 6.71% spending increase.

- On March 28, 2017, the voters authorized district-wide capital improvement projects not to exceed $79,950,000. The approved projects will be funded through the issuance of serial bonds in the amount of $79,139,973 and surpluses from previously completed capital projects in the amount of $810,027. The District has issued BANs in the amount of $69,909,027 and has expended $13,415,181 as of June 30, 2019.

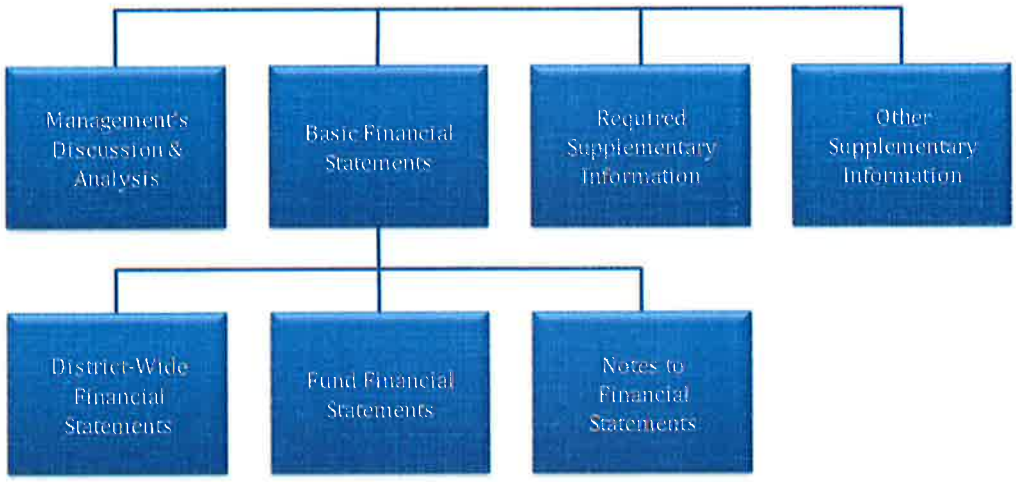
- On November 14, 2017, the Board of Education authorized the District to transfer funds from previously approved capital projects in the amount of $722,565 to be used in conjunction with an insurance recovery of $59,912 for emergency façade repairs to the middle school. On June 5, 2018, the voters authorized additional repairs to the façade and windows of the middle school not to exceed $11,025,000 to be funded through the issuance of serial bonds for a total project cost of $11,807,477. The District has expended $3,931,851 as of June 30, 2019.

- The District's expenses for the year, as reflected in the district-wide financial statements, totaled $104,868,946. Of this amount, $8,353,945 was offset by program charges for services, operating grants and capital grants. General revenues of $98,704,766 amount to 92.2% of total revenues.

- The District's total net deficit, as reflected in the district-wide financial statement is $46,361,772, a decrease of $2,189,765 from the prior year.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



A. District-Wide Financial Statements

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position:

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities:

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. 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 also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of 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, you may better understand the long-term impact of the District'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 four individual governmental funds: general fund, special aid fund, school food service fund and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by $2,189,765 between fiscal year 2019 and 2018. The increase is due to revenues in excess of expenses based on the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2019	2018	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	$ 84,994,166	$ 19,342,232	$ 65,651,934	339.42 %
Capital Assets, Net	44,957,185	31,928,846	13,028,339	40.80 %
Net Pension Asset - Proportionate Share	4,997,793	2,102,797	2,894,996	137.67 %
Total Assets	134,949,144	53,373,875	81,575,269	152.84 %
Deferred Outflows of Resources	27,322,543	30,153,934	(2,831,391)	(9.39)%
Liabilities				
Current and Other Liabilities	88,772,416	12,588,557	76,183,859	605.18 %
Long-Term Liabilities	10,917,122	12,737,905	(1,820,783)	(14.29)%
Net Pension Liability Proportionate Share	1,808,711	832,591	976,120	117.24 %
Total OPEB Obligation	98,138,392	96,026,058	2,112,334	2.20 %
Total Liabilities	199,636,641	122,185,111	77,451,530	63.39 %
Deferred Inflows of Resources	8,996,818	9,894,235	(897,417)	(9.07)%
Net Position (Deficit)				
Net Investment in Capital Assets	21,383,513	20,303,599	1,079,914	5.32 %
Restricted	4,968,537	3,522,731	1,445,806	41.04 %
Unrestricted (Deficit)	(72,713,822)	(72,377,867)	(335,955)	0.46 %
Total Net Deficit (Deficit)	$ (46,361,772)	$ (48,551,537)	$ 2,189,765	(4.51)%

Current and other assets increased by $65,651,934. This was primarily the result of an increase in the District's cash position, as the District issued a bond anticipation note in the amount of $80,934,027 on June 19, 2019, to fund ongoing capital improvement projects.

Capital assets, net increased during the year by $13,028,339. Capital additions totaling $13,894,045 were offset by depreciation expense in the amount of $865,706.

Net pension asset – proportionate share increased by $2,894,996 in the current year. This asset represents the District's share of the New York State Teachers' Retirement System's net pension asset, at the measurement date.

Deferred outflows of resources represents the unamortized amount of deferred charges from a prior year's bond refunding, contributions to the retirement plans subsequent to the measurement dates, and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities increased $76,183,859, as compared to the prior year. The increase is primarily due to an increase of $75,134,027 in the District's BANs payable to provide short term funding for capital improvement projects.

Long-term liabilities decreased by $1,820,783, principally due to the repayment of serial bond principal of $1,665,000 and a decrease in compensated absences payable of $106,920.

Net pension liability – proportionate share increased by $976,120 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Total other postemployment benefits (OPEB) obligation increased by $2,112,334, based on the actuarial valuation for the plan. The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The net investment in capital assets is calculated by subtracting the amount of outstanding debt used for construction, from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these asset acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations. Net position invested in capital assets increased as follows:

	Increase (Decrease)
Capital asset additions	$ 13,894,045
Additions financed by debt	(13,613,425)
Additions financed by appropriations	280,620
Principal debt reduction of construction bonds	1,665,000
Depreciation expense	(865,706)
	$ 1,079,914

The restricted amount of $4,968,537 relates to the District's reserves and other restricted amounts. This number increased $1,445,806.

The unrestricted (deficit) amount of $76,072,570 relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. The deficit increased over the prior year by $3,694,703, primarily as a result of the inclusion of an unfunded addition to the OPEB liability.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	$ 444,342	$ 390,843	$ 53,499	13.69 %
Operating Grants	7,605,120	7,647,928	(42,808)	(0.56)%
Capital Grants	304,483		304,483	100.00 %
General Revenues				
Property Taxes and STAR	62,817,997	61,936,368	881,629	1.42 %
State Sources	28,908,046	26,380,238	2,527,808	9.58 %
Other	6,978,723	5,425,391	1,553,332	28.63 %
Total Revenues	107,058,711	101,780,768	5,277,943	5.19 %
Expenses				
General Support	9,947,843	10,587,154	(639,311)	(6.04)%
Instruction	88,031,614	87,963,353	68,261	0.08 %
Pupil Transportation	3,616,184	3,023,664	592,520	19.60 %
Community Services	40,786	39,809	977	2.45 %
Debt Service - Interest	925,576	180,082	745,494	413.97 %
Food Service Program	2,306,943	2,145,735	161,208	7.51 %
Total Expenses	104,868,946	103,939,797	929,149	0.89 %
Decrease in Net Position	$ 2,189,765	$ (2,159,029)	$ 4,348,794	(201.42)%

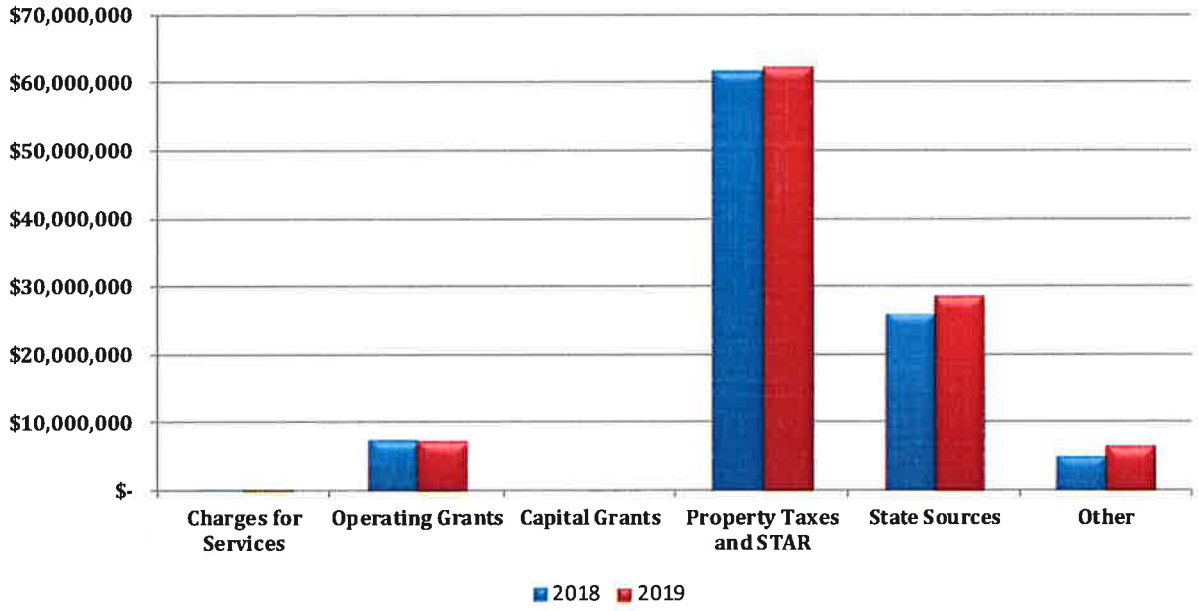
For the year ended June 30, 2019, the profit was $2,189,765, compared to a loss of $2,159,029 in the prior year. Revenues increased by 5.19%, while expenses increased by 0.89%.

The District's revenues increased by $5,277,943. The increase is primarily the result of increases in property taxes and STAR of $881,629, state sources of $2,527,808, and other of $1,553,332.

The overall increase in expenses of $929,149 was mainly in the pupil transportation and debt service interest areas. The increase in pupil transportation can be principally attributed to an increase in special education students being placed out of district. The increase in debt service interest is mainly due to the District paying $718,667 in interest on two BANs totaling $30,975,000 that matured during the year, compared to interest of $40,286 on one BAN of $3,189,973 in the prior year.

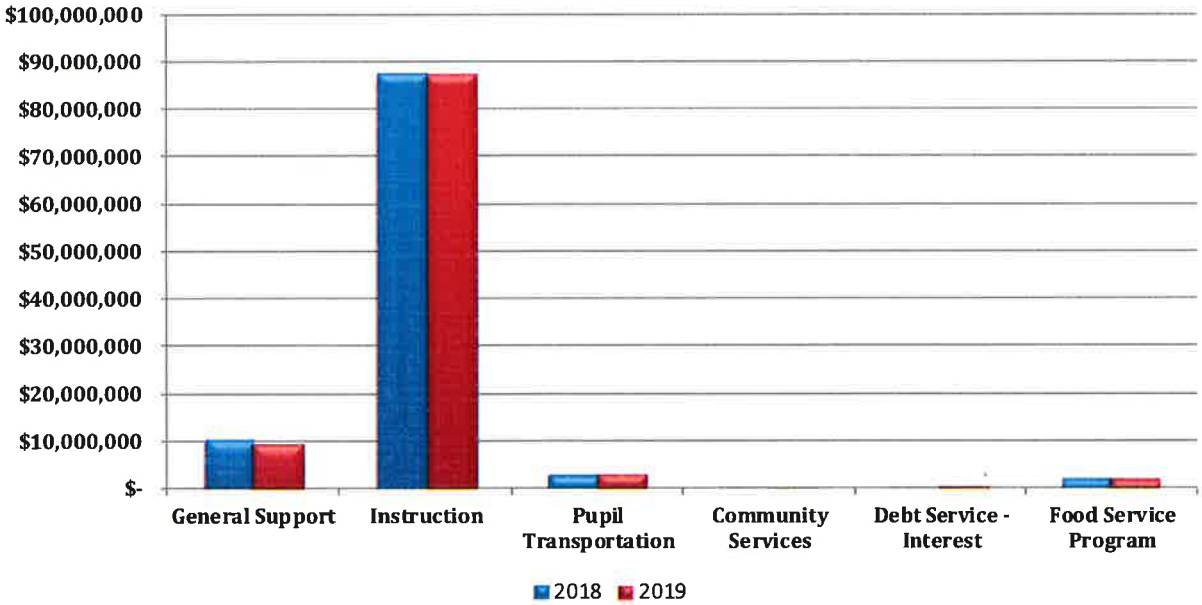
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 58.7% and 60.9% of the total for the years ended June 30, 2019 and 2018, respectively). Instruction expense is the largest category of expenses incurred (i.e., 84.0% and 84.6% of the total for the years ended June 30, 2019 and 2018, respectively).

A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Capital Grants	Property Taxes and STAR	State Sources	Other
2018	0.4%	7.5%	0.0%	60.9%	25.9%	5.3%
2019	0.4%	7.1%	0.3%	58.7%	27.0%	6.5%

A graphic display of the distribution of expenses for the two years follows:



	General Support	Instruction	Pupil Transportation	Community Services	Debt Service - Interest	Food Service Program
2018	10.2%	84.6%	2.9%	0.0%	0.2%	2.1%
2019	9.5%	84.0%	3.4%	0.0%	0.9%	2.2%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2019, the District's governmental funds reported a combined fund balance deficit of $5,151,893, which is a decrease of $11,198,217 from the prior year. This decrease is due to an excess of expenditures over revenues based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2019	2018	Increase (Decrease)
General Fund			
Restricted:			
Retirement contribution			
Teachers' retirement system	$ 460,000	$	$ 460,000
Employees' retirement system	1,662,921	1,646,456	16,465
Tax certiorari	1,834,328	875,000	959,328
Employee benefit accrued liability	1,011,288	1,001,275	10,013
Assigned:			
Appropriated fund balance	1,000,000	1,000,000	-
Unappropriated fund balance	162,994	117,598	45,396
Unassigned: Fund balance	3,577,948	2,950,229	627,719
	9,709,479	7,590,558	2,118,921
School Food Service Fund			
Nonspendable: Inventory	4,992	7,820	(2,828)
Assigned: Unappropriated fund balance	412,702	477,199	(64,497)
	417,694	485,019	(67,325)
Capital Projects Fund			
Unassigned: Fund balance (deficit)	(15,279,066)	(2,029,253)	(13,249,813)
Total Fund Balance (Deficit)	$ (5,151,893)	$ 6,046,324	$(11,198,217)

A. General Fund

The net change in the general fund – fund balance is an increase of $2,118,921, compared to a $631,200 increase in the prior year, as revenues of $98,068,843 exceeded expenditures and other uses of $95,949,922. Revenues increased by $3,976,759 (4.23%) from fiscal 2018 totals, primarily because of the increase in state sources of $2,550,096 and real property taxes of $1,167,914. Expenditures and other uses increased $2,489,038 (2.66%) over fiscal 2018 totals, primarily due to an increase in instruction of $1,138,204 and employee benefits of $773,845.

The District expects to appropriate $200,000 from the retirement contribution reserve to fund the budget and reduce taxes for the year ending June 30, 2020.

B. School Food Service Fund

The net change in the school food service fund – fund balance was a decrease of $67,325, which was the current year operating loss. In the prior year, the loss was $108,127. The decrease in the operating loss was the result of an overall increase in revenues, as a result of an increase in meals served to students and an increase in the federal reimbursement rate for free and reduced meals served.

C. Capital Projects Fund

The net change in the capital projects fund – fund balance was a decrease of $13,249,813. The decrease is a result of expenditures related to capital improvement projects in the amount of $13,995,269, offset by a transfer from the general fund of $400,000, a capital grant of $304,483, and proceeds of debt of $40,973.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018-2019 Budget

The District's general fund adopted budget for the year ended June 30, 2019, was $97,227,468. This amount was increased by encumbrances carried forward from the prior year in the amount of $117,598 and budget revisions in the amount of $57,077 for a total final budget of $97,402,143.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was $63,100,817 in estimated property taxes and STAR payments.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget and encumbrances. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening Unassigned Fund Balance	$ 2,950,229
Revenues Over Budget	2,083,720
Expenditures and Encumbrances Under Budget	1,289,227
Unused appropriated reserves	(250,000)
Net Transfers to Reserves	(1,495,228)
Appropriated to Fund the June 30, 2020 Budget	(1,000,000)
Closing Unassigned Fund Balance	$ 3,577,948

Opening, Unassigned Fund Balance

The $2,950,229 shown in the table is the portion of the District's June 30, 2018 fund balance that was retained as unassigned. This was 3.03% of the District's 2018-2019 approved operating budget of $97,227,468. It was within the maximum 4% unassigned fund balance permitted by law.

Revenues Over Budget

The District's 2018-2019 final budget for revenues was $95,985,123. Actual revenues and other sources received for the year were $98,068,843. The excess of actual revenues compared to budgeted revenues was $2,083,720 and contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

Expenditures and Encumbrances Under Budget

The 2018-2019 final budget for expenditures was $97,402,143. Actual expenditures as of June 30, 2019 were $95,949,922 and outstanding encumbrances were $162,994. Combined, the expenditures plus encumbrances for 2018-2019 were $96,112,916. The final budget was under expended by $1,289,227. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

Unused Appropriated Reserves

In the 2018-2019 budget, $250,000 of reserves were appropriated to reduce the tax levy. Due to lower than anticipated expenditures, this funding was not needed and, therefore, it was returned to the reserves and is available for future use.

Net Transfer to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers.

The $1,495,228 in the previous table is made up of a transfer to the tax certiorari reserve of $1,000,000 and the reserve for teachers' retirement system of $460,000, and of interest earnings allocated to the reserves of $35,228.

Appropriated Fund Balance

The District has chosen to use $1,000,000 of the available June 30, 2019 unassigned fund balance to partially fund the 2019-2020 approved operating budget. As such, the June 30, 2019 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the unassigned fund balance at June 30, 2019 was $3,577,948. This amount equals 3.45% of the 2019-2020 budget and is within the 4% statutory limit.

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At June 30, 2019, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of $13,894,045 in excess of depreciation expense of $865,706 recorded for the year ended June 30, 2019. A summary of the District's capital assets, net of depreciation at June 30, 2019 and 2018, is as follows:

	2019	2018	Increase (Decrease)
Land	$ 911,250	$ 911,250	$ -
Construction in progress	17,372,652	4,224,791	13,147,861
Buildings and improvements	25,232,711	25,319,409	(86,698)
Site improvements	127,953	186,042	(58,089)
Vehicles	158,444	193,161	(34,717)
Furniture and equipment	1,154,175	1,094,193	59,982
Capital assets, net	$ 44,957,185	$ 31,928,846	$ 13,028,339

B. Debt Administration

At June 30, 2019, the District had total bonds payable of $7,610,000. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The decrease represents current year principal payments. A summary of the outstanding debt at June 30, 2019 and 2018 is as follows:

Issue Date	Interest Rate	2019	2018	Increase (Decrease)
39287	0.00%	$ 3,800,000	$ 5,000,000	$ (1,200,000)
42123	3.00%	3,810,000	4,275,000	(465,000)
		$ 7,610,000	$ 9,275,000	$ (1,665,000)

At June 30, 2019 the District had BANs outstanding in the amount of $80,934,027. The BANs were issued to provide funding for district-wide capital improvements and to make repairs to the middle school façade.

The District's latest underlying, long-term credit rating affirmed by Moody's Investors Service, Inc. as of March 2019 is Aa3. The District's outstanding serial bonds and bond anticipation notes at June 30, 2019 are approximately 26% of the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, net pension liability – proportionate share and total other postemployment benefits obligation. The compensated absences liability is based on employment contracts. The net pension liability – proportionate share and the total other postemployment benefits obligation are based on actuarial valuations.

	2019	2018	Increase (Decrease)
Compensated absences	$ 3,132,217	$ 3,239,137	$ (106,920)
Net pension liability - proportionate share	1,808,711	832,591	976,120
Total OPEB obligation	98,138,392	96,026,058	2,112,334
	$ 103,079,320	$ 100,097,786	$ 2,981,534

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 21, 2019, for the year ending June 30, 2020, is $103,751,836. This is an increase of $6,524,368 or 6.71% over the previous year's budget, primarily in the instruction and debt service areas of the budget.

The District budgeted revenues other than property taxes and STAR at a $3,141,958 increase over the prior year's estimate. This increase is principally due to an estimated increase in state aid. Additionally, the assigned appropriated fund balance of $1,000,000 and reserves of $200,000 applied to the June 30, 2020 budget are a $50,000 decrease from the previous year. A property tax increase of 5.44% was needed to meet the revenue shortfall and cover the increase in appropriations.

B. Future Budgets

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's 2019-2020 property tax increase of 5.44% was equal to the tax cap and did not require an override vote.

D. Property Tax Relief Credit

New York State law provides a "Property Tax Relief Credit" to eligible taxpayers through the 2019-20 school year. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than $275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check. The amount of the credit (check) is a function of the basic STAR savings and the taxpayer's income. This program provides an incentive for the District to be tax cap compliant.

8. CONTACTING THE DISTRICT

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Mrs. Lisa Zareski
School District Treasurer
Port Chester-Rye Union Free School District
P.O. Box 246
Bowman Avenue
Port Chester, NY 10573

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

ASSETS	
Cash	
Unrestricted	$ 8,901,980
Restricted	69,938,892
Receivables	
Accounts receivable	123,398
Due from fiduciary funds	180,535
Due from state and federal	4,153,489
Due from other governments	1,690,880
Inventories	4,992
Capital assets:	
Not being depreciated	18,283,902
Being depreciated, net of accumulated depreciation	26,673,283
Net pension asset - proportionate share	4,997,793
Total Assets	134,949,144
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on advanced bond refunding	119,554
Pensions	27,202,989
Total Deferred Outflows of Resources	27,322,543
LIABILITIES	
Payables	
Accounts payable	1,610,608
Accrued liabilities	391,491
Due to teachers' retirement system	5,181,287
Due to employees' retirement system	309,871
Unearned credits	
Collections in advance	345,132
Notes payable	
Bond anticipation	80,934,027
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	1,728,122
Compensated absences payable	220,000
Due and payable after one year	
Bonds payable, net	6,056,783
Compensated absences payable	2,912,217
Net pension liability - proportionate share	1,808,711
Total other postemployment benefits obligation	98,138,392
Total Liabilities	199,636,641
DEFERRED INFLOWS OF RESOURCES	
Pensions	8,038,516
Other postemployment benefits obligation	958,302
Total Deferred Inflows of Resources	8,996,818
NET POSITION (DEFICIT)	
Net investment in capital assets	21,383,513
Restricted	
Retirement contribution	
Teachers' retirement system	460,000
Employees' retirement system	1,662,921
Tax certiorari	1,834,328
Employee benefit accrued liability	1,011,288
	4,968,537
Unrestricted (deficit)	(72,713,822)
Total Net Position (Deficit)	$ (46,361,772)

See Notes to Financial Statements

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General support	$ 9,947,843	$	$	$	$ (9,947,843)
Instruction	88,031,614	119,733	5,660,918	304,483	(81,946,480)
Pupil transportation	3,616,184				(3,616,184)
Community services	40,786				(40,786)
Debt service - interest	925,576				(925,576)
Food service program	2,306,943	324,609	1,944,202		(38,132)
Total Functions and Programs	$ 104,868,946	$ 444,342	$ 7,605,120	$ 304,483	(96,515,001)
GENERAL REVENUES					
Real property taxes					56,416,551
Other tax items					8,434,774
Nonproperty taxes					1,862,402
Use of money and property					1,194,891
Sale of property and compensation for loss					16,188
Miscellaneous					1,641,303
State sources					28,908,046
Medicaid reimbursement					230,611
Total General Revenues					98,704,766
Change in Total Net Position (Deficit)					2,189,765
Total Net Position (Deficit) - Beginning of Year					(48,551,537)
Total Net Position (Deficit) - End of Year					$ (46,361,772)

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2019

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	$ 6,553,646	$ 646,628	$ 457,287	$ 1,244,419	$ 8,901,980
Restricted	4,968,537			64,970,355	69,938,892
Receivables					
Accounts receivable	120,000	3,398			123,398
Due from other funds	2,384,200			21,139	2,405,339
Due from state and federal	2,055,534	1,650,223	143,249	304,483	4,153,489
Due from other governments	1,690,880				1,690,880
Inventories			4,992		4,992
Total Assets	$ 17,772,797	$ 2,300,249	$ 605,528	$ 66,540,396	$ 87,218,970
LIABILITIES					
Payables					
Accounts payable	$ 513,014	$ 37,385	$ 174,774	$ 885,435	$ 1,610,608
Accrued liabilities	292,365				292,365
Due to other funds		2,221,847	2,957		2,224,804
Due to teachers' retirement system	5,181,287				5,181,287
Due to employees' retirement system	309,871				309,871
Unearned credits					
Collections in advance	294,012	41,017	10,103		345,132
Notes payable					
Bond anticipation				80,934,027	80,934,027
Total Liabilities	6,590,549	2,300,249	187,834	81,819,462	90,898,094
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	1,472,769				1,472,769
FUND BALANCES					
Nonspendable: Inventories			4,992		4,992
Restricted:					
Retirement contribution					
Teachers' retirement system	460,000				460,000
Employees' retirement system	1,662,921				1,662,921
Tax certiorari	1,834,328				1,834,328
Employee benefit accrued liability	1,011,288				1,011,288
Assigned:					
Appropriated fund balance	1,000,000				1,000,000
Unappropriated fund balance	162,994		412,702		575,696
Unassigned: Fund balance (deficit)	3,577,948			(15,279,066)	(11,701,118)
Total Fund Balances (Deficit)	9,709,479	-	417,694	(15,279,066)	(5,151,893)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 17,772,797	$ 2,300,249	$ 605,528	$ 66,540,396	$ 87,218,970

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total Governmental Fund Balances		$ (5,151,893)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.		
Deferred charges on advance refunding	$ 316,215	
Less: accumulated amortization	(196,661)	
		119,554
The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	84,585,210	
Accumulated depreciation	(39,628,025)	
		44,957,185
Proportionate share of long-term liability and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.		
Net pension asset - teachers' retirement system	4,997,793	
Deferred outflows of resources	27,202,989	
Net pension liability - employees' retirement system	(1,808,711)	
Deferred inflows of resources	(8,038,516)	
		22,353,555
Total other postemployment benefits obligation and deferred inflows related to providing benefits in retirement are not current obligations and are not reported in the funds.		
Total other postemployment benefits obligation	(98,138,392)	
Deferred inflows of resources	(958,302)	
		(99,096,694)
Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, ae deferred in the governmental funds, but are not deferred on the Statement of Net Position.		1,472,769
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Accrued interest on bonds payable	(99,126)	
Bonds payable, net	(7,784,905)	
Compensated absences payable	(3,132,217)	
		(11,016,248)
Total Net Deficit		$ (46,361,772)

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2019

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	$ 56,416,551	$	$	$	$ 56,416,551
Other tax items	8,434,774				8,434,774
Nonproperty taxes	1,862,402				1,862,402
Charges for services	119,733				119,733
Use of money and property	1,191,999		2,892		1,194,891
Sale of property and compensation for loss	16,188				16,188
Miscellaneous	866,251	116,974	2,168		985,393
State sources	28,930,334	249,228	65,823	304,483	29,549,868
Medicaid reimbursement	230,611				230,611
Federal sources		5,294,716	1,878,379		7,173,095
Sales			322,441		322,441
Total Revenues	98,068,843	5,660,918	2,271,703	304,483	106,305,947
EXPENDITURES					
General support	8,255,125				8,255,125
Instruction	59,940,689	5,893,671			65,834,360
Pupil transportation	3,495,314	120,870			3,616,184
Community services	40,786				40,786
Employee benefits	20,895,268				20,895,268
Debt service					
Principal	1,705,973				1,705,973
Interest	854,567				854,567
Food service program			2,347,605		2,347,605
Capital outlay				13,995,269	13,995,269
Total Expenditures	95,187,722	6,014,541	2,347,605	13,995,269	117,545,137
Excess (Deficiency) of Revenues Over Expenditures	2,881,121	(353,623)	(75,902)	(13,690,786)	(11,239,190)
OTHER FINANCING SOURCES AND (USES)					
Proceeds of debt				40,973	40,973
Operating transfers in		353,623	8,577	400,000	762,200
Operating transfers (out)	(762,200)				(762,200)
Total Other Financing Sources and (Uses)	(762,200)	353,623	8,577	440,973	40,973
Net Change in Fund Balances	2,118,921	-	(67,325)	(13,249,813)	(11,198,217)
Fund Balances (Deficit) - Beginning of Year	7,590,558		485,019	(2,029,253)	6,046,324
End of Year	$ 9,709,479	$ -	$ 417,694	$ (15,279,066)	$ (5,151,893)

See Notes to Financial Statements

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2019

Net Change in Fund Balances		$ (11,198,217)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amount actually received).	775,052	
Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the Statement of Activities in prior years when they were earned.	(22,288)	
Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.		
Decrease in compensated absences payable	106,920	
		859,684
Capital Related Differences		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period.		
Capital outlays	13,894,045	
Depreciation expense	(865,706)	
		13,028,339
Long-Term Debt Transactions Differences		
The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities.	15,463	
Repayment of long-term debt is an expenditure in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	1,665,000	
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest increased from June 30, 2018 to June 30, 2019.	(86,472)	
		1,593,991
Pension and Other Postemployment Benefits Differences		
The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.		
Teachers' retirement system	1,111,496	
Employees' retirement system	(134,892)	
Other postemployment benefits	(3,070,636)	
		(2,094,032)
Change in Total Net Position (Deficit) of Governmental Activities		$ 2,189,765

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2019

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	$ 281,834	$
Restricted		231,854
Total Assets	$ 281,834	231,854
LIABILITIES		
Extraclassroom activity balances	$ 92,140	
Due to governmental funds	180,535	
Other liabilities	9,159	
Total Liabilities	$ 281,834	-
NET POSITION		
Restricted for scholarships		$ 231,854

See Notes to Financial Statements

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For The Year Ended June 30, 2019

	Private Purpose Trust
ADDITIONS	
Contributions	$ 16,203
Investment earnings	
Interest	8,529
Total Additions	24,732
DEDUCTIONS	
Scholarships and awards	17,150
Change in Net Position	7,582
Net Position - Beginning of Year	224,272
Net Position - End of Year	$ 231,854

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Port Chester-Rye Union Free School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

A. Reporting Entity

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

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

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

Extraclassroom Activity Funds

The extraclassroom activity funds of the district represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

B. Joint Venture

The District is a component District in the Board of Cooperative Educational Services of Southern Westchester (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

> ***General Fund*** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.
>
> ***Special Aid Fund*** - is used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either governments that provide the funds or outside parties.
>
> ***School Food Service Fund*** - is used to account for the activities of the food service program.
>
> ***Capital Projects Fund*** – is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets, such as equipment.

Fiduciary Funds – are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used to finance District operations. The following are the District's fiduciary funds:

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

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

D. Measurement Focus and Basis of Accounting

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 or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgements, compensated absences, other postemployment benefits, and pension costs, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Town of Rye based on the school approved budget during the months of September and January. The District is guaranteed its money regardless of uncollected monies. The tax levy is collected by the Town of Rye and remitted to the District.

Enforcement

The Town is responsible for all collections and bad debts.

F. Restricted Resources

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

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

I. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

J. Receivables

Receivables are shown net of allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

K. Inventories

Inventories of food in the school food service fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. These inventories are accounted for on the consumption method. Under the consumption method, a current asset for the inventories is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year goods are consumed.

Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

A portion of fund balance has been classified as nonspendable to indicate that inventories do not constitute available spendable resources.

L. Capital Assets

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	$ 1,000	50 years
Site improvements	1,000	20-50 years
Furniture and equipment	500	5-10 years

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category. First is the unamortized amount of the deferred charges from a prior year's refunding of bonds being amortized as a component of interest on a weighted average basis through June 30, 2026. The second item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date.

N. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

O. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of net changes of assumptions or other inputs.

P. Employee Benefits – Compensated Absences

Compensated absences consist of unpaid accumulated sick leave and vacation time.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement or death and 10 years of service, employees may contractually receive a payment based on unused accumulated sick leave or a credit towards their health insurance obligation, depending on which collective bargaining unit they belong to.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

Certain collectively bargained agreements require these payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

Q. Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

The District provides health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

R. Short-Term Debt

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

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

S. Equity Classifications

District-Wide Statements

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

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

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

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory, which is recorded in the school food service fund.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. Effective April 1, 2019, a board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

Tax Certiorari Reserve

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

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Restricted for Scholarships

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, including earnings and net of awards. These restricted funds are accounted for in the private purpose trust fund.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources. NYS Real Property Tax Law §1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or Board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS

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

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

Capital Related Differences

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

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for insurance premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

The voters of the District approved the proposed appropriation budget for the general fund.

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

Contingent expenditures funded by gifts and donations	$ 7,655
Tax certiorari appropriations funded by the tax certiorari reserve	49,422
	$ 57,077

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Encumbrances

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

C. Capital Projects Fund

The capital projects fund has an unassigned fund balance deficit of $15,279,066. This will be funded when the District obtains permanent financing for its current construction projects.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

A. Uncollateralized,
B. Collateralized by securities held by the pledging financial institution, or
C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities and letters of credit pledged on the District's behalf at year end.

The District did not have any investments at year end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

Investment pool:

The District participates in the Cooperative Liquid Assets Securities System – New York (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

Total investments of the cooperative at June 30, 2019 are $2,491,597,265, which consisted of $350,918,796 in repurchase agreements, $1,905,651,848 in U.S. Treasury Securities, $235,026,621 in collateralized bank deposits, with various interest rates and due dates.

The following amounts on deposit at NYCLASS are included as cash:

Fund	Carrying Amount
General fund	$ 5,668,124
Special aid fund	41,400
School food service fund	50,496
Capital projects fund	3,740,430
	$ 9,500,450

The above amounts represent the fair value of the investment pool shares. The lead participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website www.newyorkclass.org.

5. PARTICIPATION IN BOCES

During the year ended June 30, 2019, the District was billed $9,747,877 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $1,560,644. Financial statements for the BOCES are available from the BOCES administrative offices at 17 Berkley Drive, Rye Brook, New York 10573.

6. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2019, consisted of:

General Fund	
New York State - general aid	$ 197,049
New York State - excess cost aid	1,552,405
New York State - building aid	306,080
	2,055,534
Special Aid Fund	
Federal and state grants	1,650,223
School Food Service Fund	
Federal and state food service program reimbursements	143,249
Capital Projects Fund	
New York State - Smart Schools Bond Act	304,483
	$ 4,153,489

7. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2019, consisted of:

General Fund	
BOCES aid	$ 1,169,811
PILOT payments	45,727
Sales tax revenue due from county	468,551
Program revenue due from other districts	6,791
	$ 1,690,880

8. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2019, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	$ 2,384,200	$	$	$ 762,200
Special Aid Fund		2,221,847	353,623	
School Food Service Fund		2,957	8,577	
Capital Projects Fund	21,139		400,000	
Total Governmental Funds	2,405,339	2,224,804	$ 762,200	$ 762,200
Fiduciary Funds		180,535		
Total	$ 2,405,339	$ 2,405,339		

The District typically transfers from the general fund to the special aid fund and school food service fund. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools. The transfer to the school food service fund was to provide support for the program per the approved budget.

The transfer to the capital projects fund was for capital improvement projects per the approved budget.

9. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Governmental activities				
Capital assets not being depreciated				
Land	$ 911,250	$	$	$ 911,250
Construction in progress	4,224,791	13,690,786	(542,925)	17,372,652
Total capital assets not being depreciated	5,136,041	13,690,786	(542,925)	18,283,902
Capital assets being depreciated				
Buildings and improvements	60,662,069	542,925		61,204,994
Site improvements	1,349,838			1,349,838
Vehicles	519,625		(28,969)	490,656
Furniture and equipment	3,086,463	203,259	(33,902)	3,255,820
Total capital assets being depreciated	65,617,995	746,184	(62,871)	66,301,308
Less accumulated depreciation for:				
Buildings and improvements	35,342,660	629,623		35,972,283
Site improvements	1,163,796	58,089		1,221,885
Vehicles	326,464	34,717	(28,969)	332,212
Furniture and equipment	1,992,270	143,277	(33,902)	2,101,645
Total accumulated depreciation	38,825,190	865,706	(62,871)	39,628,025
Total capital assets, being depreciated, net	26,792,805	(119,522)	-	26,673,283
Capital assets, net	$ 31,928,846	$ 13,571,264	$ (542,925)	$ 44,957,185

Depreciation expense was allocated to governmental functions as follows:

General support	$ 56,432
Instruction	763,404
Food service program	45,870
Total depreciation expense	$ 865,706

10. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2018	Issued	Redeemed	Balance June 30, 2019
BAN	6/14/2019	2.75%	$ 5,800,000	$	$ (5,800,000)	$
BAN	6/14/2019	2.75%		25,175,000	(25,175,000)	
BAN	6/12/2020	2.75%		80,934,027	-	80,934,027
			$ 5,800,000	$106,109,027	$ (30,975,000)	$ 80,934,027

Interest on short-term debt for the year was $718,667. The District received premiums of $207,948, which are included in accrued liabilities in the general fund.

11. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pensions and other postemployment benefits obligations, for the year are summarized below:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 9,275,000	$	$ (1,665,000)	$ 7,610,000	$ 1,685,000
Add: Premium on refunding	223,768		(48,863)	174,905	43,122
	9,498,768		(1,713,863)	7,784,905	1,728,122
Other long-term liabilities					
Compensated absences	3,239,137		(106,920)	3,132,217	220,000
	$ 12,737,905	$	$ (1,820,783)	$ 10,917,122	$ 1,948,122

The general fund has typically been used to liquidate other long-term liabilities.

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2019
Serial Bonds - QZAB	7/24/2007	2022	0.00%	$ 3,800,000
Refunding Bonds	4/29/2015	6/15/2026	3.00%	3,810,000
				$ 7,610,000

The following is a summary of debt service requirements for bonds payable:

Year Ending June 30,	Principal	Interest	Total
2020	$ 1,685,000	$ 117,300	$ 1,802,300
2021	1,800,000	97,900	1,897,900
2022	1,825,000	77,900	1,902,900
2023	545,000	56,900	601,900
2024	575,000	35,100	610,100
2025 - 2026	1,180,000	35,500	1,215,500
Total	$ 7,610,000	$ 420,600	$ 8,030,600

C. Advance Refunding

In the district-wide statements, the District is amortizing deferred charges and a refunding bond premium resulting from the defeasance as a component of interest expense on a weighted average basis as follows:

Year Ending June 30,	Amortization of Deferred Charges	Amortization of Premium	Interest Expense Increase / (Decrease)
2020	$ 29,475	$ (43,122)	$ (13,647)
2021	25,406	(37,169)	(11,763)
2022	21,172	(30,974)	(9,802)
2023	16,752	(24,507)	(7,755)
2024	12,125	(17,738)	(5,613)
2025 - 2026	14,624	(21,395)	(6,771)
Total	$ 119,554	$ (174,905)	$ (55,351)

D. Interest Expense

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

Interest paid	$ 135,900
Less interest accrued in the prior year	(12,654)
Plus interest accrued in the current year	99,126
Less amortization of amounts on refundings	(15,463)
Total interest expense on long-term debt	$ 206,909

E. Unissued Debt

On March 28, 2017, the voters approved a bond issue not to exceed $79,950,000 for improvements and alterations to District school buildings and/or sites. As of June 30, 2019, BANs in the amount of $69,950,000 have been issued of which $69,909,027 is outstanding. Work has commenced and expenditures are recorded in the capital projects fund.

On June 5, 2018, the voters approved a bond issue not to exceed $11,025,000 to finance improvements and alterations to the Port Chester middle school building and site. As of June 30, 2019, BANs in the amount of $11,025,000 have been issued. Work has commenced and expenditures are recorded in the capital projects fund.

12. PENSION PLANS – NEW YORK STATE

A. General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. 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. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. 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 District also participates in the Public Employees' Group Life Insurance Plan (GLIP), 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 Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.8% of covered payroll for the TRS' fiscal year ended June 30, 2018. The District's average contribution rate was 13.6% of covered payroll for the ERS' fiscal year ended March 31, 2019.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2019 was $4,717,038 for TRS and $1,081,438 for ERS.

D. Pension Asset/(Liability), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2018, for TRS and March 31, 2019 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2018	March 31, 2019
District's proportionate share of the net pension asset/(liability)	$ 4,997,793	$ (1,808,711)
District's portion of the Plan's total net pension asset/(liability)	0.2763860%	0.0255276%
Change in proportion since the prior measurement date	(0.0002620)	(0.0002696)

For the year ended June 30, 2019, the District recognized pension expense of $3,621,034 for TRS and $1,216,331 for ERS. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	$ 3,734,810	$ 356,173	$ 676,520	$ 121,415
Changes of assumptions	17,470,565	454,636		
Net difference between projected and actual earnings on pension plan investments			5,547,931	464,215
Changes in proportion and differences between the District's contributions and proportionate share of contributions	15,804	129,428	1,210,874	17,561
District's contributions subsequent to the measurement date	4,731,702	309,871		
Total	$ 25,952,881	$ 1,250,108	$ 7,435,325	$ 603,191

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	TRS	ERS
2020	$ 4,751,720	$ 419,210
2021	3,143,394	(329,329)
2022	100,949	(10,060)
2023	3,131,619	257,225
2024	2,135,724	
Thereafter	522,448	
	$ 13,785,854	$ 337,046

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Inflation	2.25%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Cost of living adjustments	1.50%	1.30%

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. For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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.

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.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2018		March 31, 2019
Asset type				
Domestic equity	33.0%	5.80%	36.0%	4.55%
International equity	16.0%	7.30%	14.0%	6.35%
Global equities	4.0%	6.70%		
Real estate	11.0%	4.90%	10.0%	5.55%
Private equities	8.0%	8.90%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	6.50%		
Bonds and mortgages	8.0%	2.80-6.80%	17.0%	1.31%
Short-term	1.0%	0.30%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.3% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for TRS and 7.0% for ERS. 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 the assumptions, the systems' 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.

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25% for TRS and 6.0% for ERS) or 1 percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension asset (liability)	$ (34,335,654)	$ 4,997,793	$ 37,948,291

ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	$ (7,907,972)	$ (1,808,711)	$ 3,315,101

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset (liability) of the employers as of the respective measurement dates, were as follows:

	TRS	ERS
	(Dollars in Thousands)	
Measurement date	June 30, 2018	March 31, 2019
Employers' total pension liability	$ (118,107,254)	$ (189,803,429)
Plan fiduciary net position	119,915,518	182,718,124
Employers' net pension asset/(liability)	$ 1,808,264	$ (7,085,305)
Ratio of plan fiduciary net position to the employers' total pension liability	101.53%	96.27%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the system in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employer and employee contributions for the fiscal year ended June 30, 2019, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2019 amounted to $4,731,702 of employer contributions and $449,698 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to $309,871 of employer contributions. Employee contributions are remitted monthly.

13. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. For the year ended June 30, 2019, there were no employer non-elective contributions and employee elective contributions were $1,933,653.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2019 totaled $100,912.

14. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for retired employees in accordance with employment contracts. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides medical and Medicare Part B coverage. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	247
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	593
	840

B. Total OPEB Liability

The District's total OPEB liability of $98,138,392 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%	
Salary increases	3.00%	average, including inflation
Discount rate	3.10%	
Healthcare cost trend rates	8.00%	for July 1, 2020, decreasing 0.5% per year to an ultimate rate of 5.0% for July 1, 2026 and later years
Retirees' share of benefit-related costs	50.00%	of projected health insurance premiums for retirees
	65.00%	of projected health insurance premiums for dependent portion of family coverage

The discount rate was based on an average of three 20 year bond indices (e.g., Bond Buyer – 20 year 60, S&P Municipal 20 year High Grade Rate Index Fidelity GA AA 20 years).

Mortality rates were based on the RP-2014 Healthy Male and Female Tables, as appropriate, with adjustments for mortality improvements based on Scale MP-2018.

The actuarial assumptions used in the June 30, 2019 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	$ 96,026,058
Changes for the year	
Service cost	1,595,080
Interest	2,954,706
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(1,011,541)
Benefit payments	(1,425,911)
	2,112,334
Balance at June 30, 2019	$ 98,138,392

Changes of assumptions and other inputs reflect a change in the discount rate from 3.7% in 2018 to 3.1% in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.1%) or 1 percentage point higher (4.1%) than the current discount rate:

OPEB	1% Decrease (2.10)%	Discount Rate (3.10)%	1% Increase (4.10)%
Total OPEB liability	$ (139,866,362)	$(98,138,392)	$(72,006,794)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current healthcare cost trend rate:

OPEB	1% Decrease (7.00% decreasing to 4.00%)	Healthcare Cost Cost Trend Rates (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
Total OPEB liability	$(69,295,939)	$(98,138,392)	$ (144,571,480)

D. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $3,070,636. At June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$
Changes of assumptions		1,011,541
District's contributions subsequent to the measurement date		
Total	$ -	$ 1,011,541

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2020	$ 53,239
2021	53,239
2022	53,239
2023	53,239
2024	53,239
Thereafter	745,346
	$ 1,011,541

15. RISK MANAGEMENT

A. General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

B. Public Entity Risk Pool

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

The District participates in a risk sharing pool, the Southern Westchester School Cooperative Workers' Compensation Self-Insurance Plan, to insure workers' compensation claims. This public entity risk pool was created under Article 5 of Workers' Compensation Law, to finance liability and risks related to workers' compensation claims.

The District pays an annual premium to the pool for its workers' compensation claims coverage. The Plan has obtained an excess compensation insurance policy to buffer the effect that a single large claim may have on the Plan. Although excess compensation insurance permits recovery of a portion of such losses from the insurance carrier, it does not discharge the Plan's responsibility for payment of the claim.

The Plan established a liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Plan's total undiscounted liability for unbilled and opened claims at June 30, 2019, is $21,280,190 which includes IBNR. Of this total liability, $1,132,923 is associated with the District. The Plan has assets of $23,374,135 available as of June 30, 2019, to pay these liabilities. During the year ended June 30, 2019, the District's contribution to the Plan was $377,023.

The Plan has issued financial statements for the year ended June 30, 2019, which is the most recent year for which complete information is available. Copies of these statements can be obtained from the District's Business office.

16. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate $200,000 from the retirement contribution reserve, which is reported in the June 30, 2019 restricted fund balance to fund the budget and reduce taxes for the year ending June 30, 2020.

17. ASSIGNED APPROPRIATED FUND BALANCE

The amount of $1,000,000 has been appropriated to reduce taxes for the year ending June 30, 2020.

18. TAX ABATEMENTS

The Village of Port Chester Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced $2,665,199. The District received payment in lieu of taxes (PILOT) payments totaling $1,987,601.

19. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2019, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	$ 36,024
Instruction	126,970
	162,994
Capital Projects Fund	
Capital projects	59,755,187
	$ 59,918,181

B. Grants

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

C. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. The District believes that the outcome of any matters will not have a material effect on these financial statements.

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was $160,101. The minimum remaining operating lease payments are as follows:

Year Ending June 30,	Amount
2020	$ 111,514
2021	96,711
2022	46,872
	$ 255,097

20. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 56,400,817	$ 56,400,817	$ 56,416,551	$ 15,734
Other tax items	8,708,725	8,708,725	8,434,774	(273,951)
Nonproperty tax items	1,750,000	1,750,000	1,862,402	112,402
Charges for services	93,000	93,000	119,733	26,733
Use of money and property	305,000	305,000	1,191,999	886,999
Sale of property and compensation for loss	17,000	17,000	16,188	(812)
Miscellaneous	382,500	390,155	866,251	476,096
Total Local Sources	67,657,042	67,664,697	68,907,898	1,243,201
State Sources	28,120,426	28,120,426	28,930,334	809,908
Medicaid Reimbursement	200,000	200,000	230,611	30,611
Total Revenues	95,977,468	95,985,123	98,068,843	$ 2,083,720
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	1,000,000	1,000,000		
Prior Year's Encumbrances	117,598	117,598		
Appropriated Reserves	250,000	299,422		
Total Appropriated Fund Balance	1,367,598	1,417,020		
Total Revenues and Appropriated Fund Balance	$ 97,345,066	$ 97,402,143		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	$ 66,937	$ 48,086	$ 46,291	$	$ 1,795
Central administration	450,796	445,722	440,928		4,794
Finance	1,127,482	1,085,678	999,407	28,850	57,421
Staff	177,750	209,488	204,203		5,285
Central services	5,509,134	5,633,256	5,473,292	7,174	152,790
Special items	1,280,502	1,314,086	1,091,004		223,082
Total General Support	8,612,601	8,736,316	8,255,125	36,024	445,167
Instruction					
Administration & improvement	4,668,840	4,509,179	4,455,847	2,102	51,230
Teaching - regular school	32,826,800	32,254,741	31,932,306	75,383	247,052
Programs for students with disabilities	17,296,216	17,642,342	17,615,700	2,893	23,749
Occupational education	709,500	657,800	657,800		-
Teaching - special schools	15,000	8,684	8,684		-
Instructional media	785,595	915,866	863,888	4,314	47,664
Pupil services	4,293,130	4,550,794	4,406,464	42,278	102,052
Total Instruction	60,595,081	60,539,406	59,940,689	126,970	471,747
Pupil Transportation	2,923,939	3,533,078	3,495,314		37,764
Community Services	57,000	59,330	40,786		18,544
Employee Benefits	22,130,545	21,194,850	20,895,268		299,582
Debt Service					
Principal	1,665,000	1,705,973	1,705,973		-
Interest	685,900	854,567	854,567		-
Total Debt Service	2,350,900	2,560,540	2,560,540	-	-
Total Expenditures	96,670,066	96,623,520	95,187,722	162,994	1,272,804
OTHER USES					
Operating Transfers Out	675,000	778,623	762,200		16,423
Total Expenditures and Other Uses	$ 97,345,066	$ 97,402,143	95,949,922	$ 162,994	$ 1,289,227
Net Change in Fund Balance			2,118,921		
Fund Balance - Beginning of Year			7,590,558		
Fund Balance - End of Year			$ 9,709,479		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)
Last Five Fiscal Years

Teachers' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension asset	0.2763860%	0.2766480%	0.2644400%	0.2530390%	0.2469390%
District's proportionate share of the net pension asset (liability)	$ 4,997,793	$ 2,102,797	$ (2,832,258)	$ 26,282,662	$ 27,507,425
District's covered payroll	$ 45,020,226	$ 44,193,746	$ 40,841,823	$ 38,010,895	$ 36,115,160
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	(11.10)%	(4.76)%	6.93 %	69.15 %	76.17 %
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.66%	99.01%	110.46%	111.48%

Employees' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0255276%	0.0257972%	0.0258177%	0.0253253%	0.0258298%
District's proportionate share of the net pension liability	$ (1,808,711)	$ (832,591)	$ (2,425,886)	$ (4,064,781)	$ (872,593)
District's covered payroll	$ 7,653,099	$ 7,616,404	$ 7,326,386	$ 6,953,662	$ 6,724,831
District's proportionate share of the net pension liability as a percentage of its covered payroll	23.63 %	10.93 %	33.11 %	58.46 %	12.98 %
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%

An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

Note to Required Supplementary Information

Teachers' Retirement System
The discount rate decreased from 8.0% to 7.5% to 7.25% as reflected in 2016, 2017 and 2018 above.

Employees' Retirement System
The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Teachers' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 4,731,702	$ 4,413,445	$ 5,137,511	$ 5,412,735	$ 6,667,222	$ 5,885,354	$ 4,210,149	$ 4,012,876	$ 3,125,133	$ 2,105,152
Contributions in relation to the contractually required contribution	4,731,702	4,413,445	5,137,511	5,412,735	6,667,222	5,885,354	4,210,149	4,012,876	3,125,133	2,105,152
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$44,464,090	$45,020,226	$44,193,746	$40,841,823	$38,010,895	$36,115,160	$35,226,710	$35,559,449	$35,932,024	$33,675,394
Contributions as a percentage of covered payroll	11%	10%	12%	13%	18%	16%	12%	11%	9%	6%

Employees' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 1,216,331	$ 1,023,456	$ 1,029,333	$ 1,155,170	$ 1,177,300	$ 1,382,882	$ 1,213,194	$ 1,021,858	$ 692,381	$ 449,154
Contributions in relation to the contractually required contribution	1,216,331	1,023,456	1,029,333	1,155,170	1,177,300	1,382,882	1,213,194	1,021,858	692,381	449,154
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 7,659,210	$ 7,690,211	$ 7,484,345	$ 7,032,072	$ 6,768,008	$ 6,605,898	$ 6,771,531	$ 6,650,393	$ 6,605,636	$ 6,271,632
Contributions as a percentage of covered payroll	16%	13%	14%	16%	17%	21%	18%	15%	10%	7%

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Two Fiscal Years

	2019	2018
Total OPEB liability		
Service cost	$ 1,595,080	$ 1,608,928
Interest	2,954,706	3,399,554
Changes in benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	(1,011,541)	-
Benefit payments	(1,425,911)	(1,724,522)
Net change in total OPEB liability	2,112,334	3,283,960
Total OPEB liability, beginning	96,026,058	92,742,098
Total OPEB liability, ending	$ 98,138,392	$ 96,026,058
Covered employee payroll	$ 51,373,367	$ 54,058,958
Total OPEB liability as a percentage of covered employee payroll	191.03%	177.63%

An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

Note to Required Supplementary Information

The discount rate decreased from 3.7% to 3.1% as reflected in 2018 and 2019 above.

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		$ 97,227,468
Additions:		
Prior year's encumbrances		117,598
Original Budget		97,345,066
Budget revision		57,077
Final Budget		$ 97,402,143

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 voter-approved expenditure budget		$ 103,751,836
Maximum allowed (4% of 2019-2020 budget)		$ 4,150,073
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$ 1,162,994	
Unassigned fund balance	3,577,948	
		$ 4,740,942
Less:		
Appropriated fund balance	1,000,000	
Encumbrances	162,994	
Total adjustments		1,162,994
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		$ 3,577,948
Actual Percentage		3.45%

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources -
Capital Projects Fund
For The Year Ended June 30, 2019

PROJECT TITLE	Budget June 30, 2018	Budget June 30, 2019	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Methods of Financing: Proceeds of Obligations	Methods of Financing: State Aid	Methods of Financing: Local Sources	Methods of Financing: Total	Fund Balance June 30, 2019
High School Standpipe	$ 550,000	$ 550,000	$ 42,517	$ 500,407	$ 542,924	$ 7,076	$	$	$ 550,000	$ 550,000	$ 7,076
High School Additions & Reconstruction	49,993,213	49,594,043	1,890,719	437,239	2,327,958	47,266,085	48,788,638		805,405	49,594,043	47,266,085
Edison Green Space & Reconstruction	292,544	440,468	22,114	312,791	334,905	105,563	439,560		908	440,468	105,563
JFK Additions & Reconstruction	15,370,465	15,368,165	623,098	3,609,671	4,232,769	11,135,396	15,368,165			15,368,165	11,135,396
King Street Additions & Reconstruction	11,619,906	11,614,906	480,700	3,834,870	4,315,570	7,299,336	11,614,906			11,614,906	7,299,336
Park Avenue Additions & Reconstruction	2,673,872	2,932,418	143,874	2,060,106	2,203,980	728,438	2,928,705		3,713	2,932,418	728,438
Middle School Interior Doors	25,600	25,600	11,495		11,495	14,105			25,600	25,600	14,105
Middle School Facade	11,807,477	1,182,477	996,150	346,237	1,342,387	(159,910)			1,182,477	1,182,477	(159,910)
Middle School Window Replacement		11,025,000		2,589,465	2,589,465	8,435,535	11,025,000			11,025,000	8,435,535
Unallocated	27,435	27,435	14,125		14,125	13,310			27,435	27,435	13,310
Smart Schools Bond Act		304,483		304,483	304,483	-		304,483		304,483	-
Totals	$ 92,360,512	$ 93,064,995	$ 4,224,792	$ 13,995,269	$ 18,220,061	$ 74,844,934	$ 90,164,974	$ 304,483	$ 2,595,538	$ 93,064,995	74,844,934
											Less unissued long-term debt (79,099,000)
											Less unissued long-term debt (11,025,000)
											$ (15,279,066)

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2019

Capital assets, net	$ 44,957,185
Deduct:	
Bond anticipation notes payable	(80,934,027)
Less: Unspent BAN proceeds	64,970,355
Short-term portion of bonds payable	(1,685,000)
Long-term portion of bonds payable	(5,925,000)
	(23,573,672)
Net investment in capital assets	$ 21,383,513

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

INDEPENDENT AUDITOR'S 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*

To the Board of Education
Port Chester-Rye Union Free School District
Port Chester, 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 fiduciary funds of the Port Chester-Rye Union Free School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port Chester-Rye Union Free 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 Port Chester-Rye Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port Chester-Rye Union Free 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 District'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 Port Chester-Rye Union Free 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*.

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Port Chester-Rye Union Free School District in a separate letter dated September 23, 2019.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cullen & Danowski, LLP

September 23, 2019