

PORT CHESTER - RYE
UNION FREE SCHOOL DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITOR'S REPORTS

June 30, 2018

PORT CHESTER – RYE UNION FREE SCHOOL DISTRICT
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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

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, 2018, 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, 2018, 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.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, 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 51 through 55, 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 56 through 58 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 17, 2018 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 17, 2018

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, 2018 in comparison with the year ended June 30, 2017, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

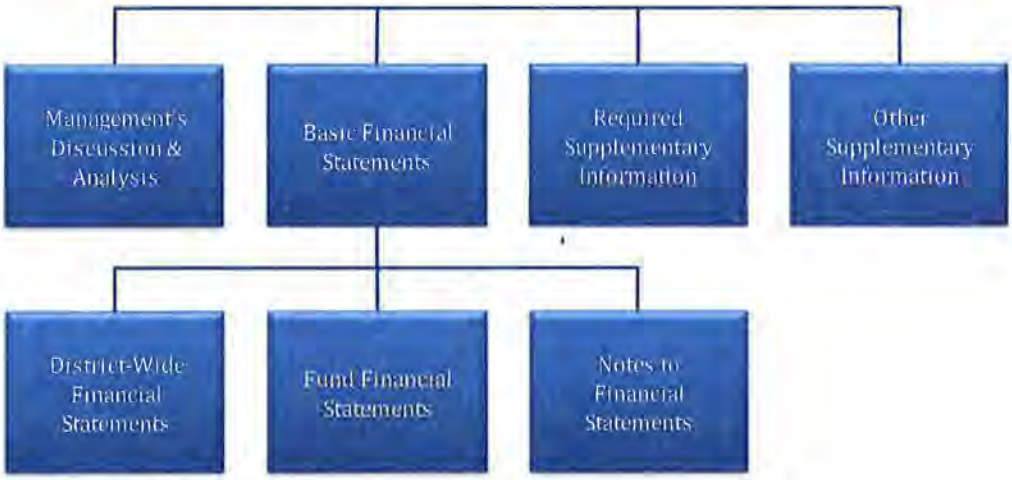
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- On the Balance Sheet, the District's general fund reported unassigned fund balance at June 30, 2018 of $2,950,229, an increase of $1,965,007 over the amount reported at June 30, 2017.
- 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 3.03% and therefore within the statutory limit.
- In addition to increasing the amount allotted for unassigned fund balance, the District also added to its restricted fund balance by creating a reserve for tax certiorari obligations.
- The general fund's total fund balance, at June 30, 2018, increased by $631,200 to $7,590,558.
- In 2017-2018, a budget was prepared for the 2018-2019 school year, in the amount of $97,227,468, and was approved by the voters on May 15, 2018. The 2018-2019 budget was prepared with a reduction of the reliance on fund balance. This budget also stays within the New York State Tax Cap legislation (1.88% tax levy increase) and a 1.20% 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 $5,800,000 and has expended $3,160,505 as of June 30, 2018.
- 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 $996,150 as of June 30, 2018.
- The District's total net position at June 30, 2017 was restated and decreased by $78,854,378, as a result of the required implementation of a new GASB accounting standard during the 2018 fiscal year. This new GASB accounting standard has no impact on the governmental funds financial statements. The net position was also decreased by $1,473,229 as a result of a reevaluation of certain assets that were included on the District's capital asset appraisal reports in previous years.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled $103,939,797. Of this amount, $8,038,771 was offset by program charges for services and operating grants. General revenues of $93,741,997 amount to 92.1% of total revenues.
- The District's total net deficit, as reflected in the district-wide financial statement is $48,551,537, an increase of $2,159,029 over 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 five individual governmental funds: general fund, special aid fund, school food service fund, debt 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 decreased by $2,159,029 between fiscal year 2018 and 2017. The decrease is due to expenses in excess of revenues based on the economic resources measurement focus and the accrual basis of accounting. The June 30, 2017 net position has been decreased by $80,327,607, of which $78,854,378

results from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and $1,473,229 results from a restatement of capital assets based on a new physical inventory. Consequently there was a related increase in the total OPEB obligation and a decrease in capital assets, net. A summary of the District's Statements of Net Position follows:

	2018	As Restated 2017	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	$ 19,342,232	$ 21,811,275	$ (2,469,043)	(11.32)%
Capital Assets, Net	31,928,846	29,259,239	2,669,607	9.12 %
Net Pension Asset - Proportionate Share	2,102,797		2,102,797	100.00 %
Total Assets	53,373,875	51,070,514	2,303,361	4.51 %
Deferred Outflows of Resources	30,153,934	29,588,095	565,839	1.91 %
Liabilities				
Current and Other Liabilities	12,588,557	12,808,870	(220,313)	(1.72)%
Long-Term Liabilities	12,737,905	14,058,373	(1,320,468)	(9.39)%
Net Pension Liability Proportionate Share	832,591	5,258,144	(4,425,553)	(84.17)%
Total OPEB Obligation	96,026,058	92,742,098	3,283,960	3.54 %
Total Liabilities	122,185,111	124,867,485	(2,682,374)	(2.15)%
Deferred Inflows of Resources	9,894,235	2,183,632	7,710,603	353.11 %
Net Position (Deficit)				
Net Investment in Capital Assets	20,303,599	18,212,859	2,090,740	11.48 %
Restricted	3,522,731	3,146,159	376,572	11.97 %
Unrestricted (Deficit)	(72,377,867)	(67,751,526)	(4,626,341)	6.83 %
Total Net Deficit (Deficit)	$ (48,551,537)	$ (46,392,508)	$ (2,159,029)	4.65 %

Current and other assets decreased by $2,649,043. This was primarily the result of decreases in the District's unrestricted cash position of $1,422,016, due from state and federal of $534,143 as a result of a decrease in the District's grants receivable, and due from other governments of $1,035,782, as a result of a decrease in the District's PILOT receivable, net of an increase in the District's restricted cash position of $762,732.

Capital assets, net increased during the year by $2,669,607. Capital additions totaling $3,550,144 were offset by depreciation expense in the amount of $880,537.

Net pension asset – proportionate share has a balance of $2,102,797, as the New York State Teachers' Retirement System experienced a gain resulting in an ending balance that was an asset. The prior year balance was a liability.

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 decreased $220,313, as compared to the prior year. The decrease is primarily due to decreases in accounts payable of $1,655,830 and due to teachers' retirement system of $727,150 offset by an increase in the District's BANs payable to provide short term funding for capital improvement projects in the amount of $2,610,027.

Long-term liabilities decreased by $1,320,468, principally due to the repayment of serial bond principal of $1,645,000, offset by an increase in compensated absences payable of $378,895.

Net pension liability – proportionate share increased by $4,425,553 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System's and 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 decreased by $3,283,960, as compared to the prior year. This increase is the result of the current year OPEB costs on the economic resources measurement focus and the accrual basis of accounting in excess of the amount reflected in the governmental funds on the current financial resources measurement focus and the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension 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	$ 3,550,144
Additions financed by debt	(2,223,867)
Additions financed by appropriations	1,326,277
Principal debt reduction of construction bonds	1,645,000
Depreciation expense	(880,537)
	$ 2,090,740

The restricted amount of $3,522,731 relates to the District's reserves and other restricted amounts. This number increased $376,572.

The unrestricted (deficit) amount of $72,377,867 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 $4,626,341, primarily as a result of the inclusion of the proportionate share of the state retirement plans' collective assets, deferred outflows, liabilities and deferred inflows and offset by 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, 2018 and 2017 is as follows:

	2018	2017	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	$ 390,843	$ 319,714	$ 71,129	22.25 %
Operating Grants	7,647,928	7,977,660	(329,732)	(4.13)%
Capital Grants		304,530	(304,530)	(100.00)%
General Revenues				
Property Taxes and STAR	61,936,368	61,482,654	453,714	0.74 %
State Sources	26,380,238	22,067,162	4,313,076	19.55 %
Other	5,425,391	4,893,426	531,965	10.87 %
Total Revenues	101,780,768	97,045,146	4,735,622	4.88 %
Expenses				
General Support	10,587,154	11,594,547	(1,007,393)	(8.69)%
Instruction	87,963,353	85,309,591	2,653,762	3.11 %
Pupil Transportation	3,023,664	2,933,688	89,976	3.07 %
Community Services	39,809	101,455	(61,646)	(60.76)%
Debt Service - Interest	180,082	154,256	25,826	16.74 %
Food Service Program	2,145,735	1,874,242	271,493	14.49 %
Total Expenses	103,939,797	101,967,779	1,972,018	1.93 %
Decrease in Net Position	$ (2,159,029)	$ (4,922,633)	$ 2,763,604	(56.14)%

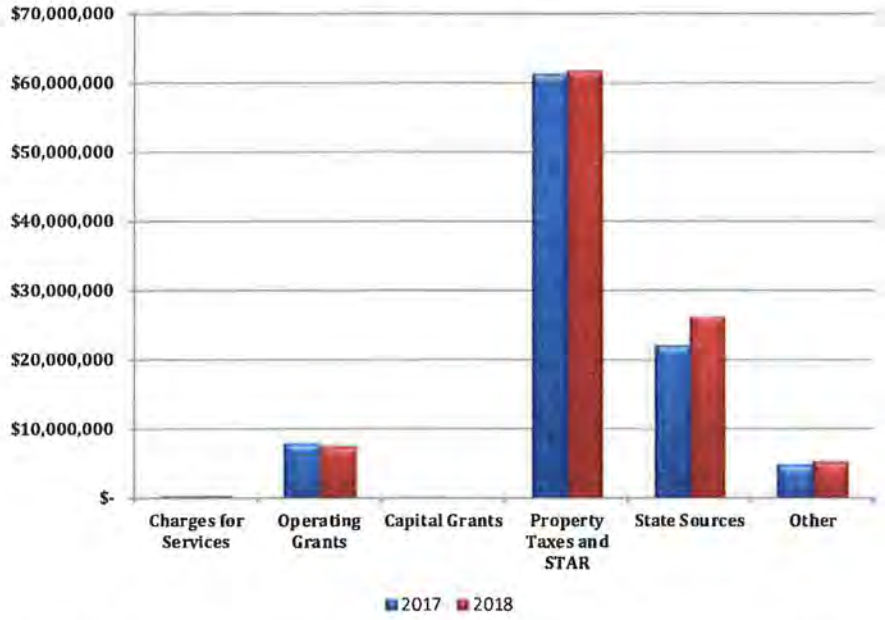
The change in net position represents the District's operating profit or loss on the accrual basis of accounting. For the year ended June 30, 2018, the loss was $2,159,029, compared to a loss of $4,922,633 in the prior year. Revenues increased by 4.88%, while expenses increased by 1.93%.

The District's revenues increased by $4,735,622. The major contributing factor was the increase in state sources of $4,313,076, as the District received increases in basic aid of $3,773,613, excess cost aid of $573,410, and lottery aid of $637,303, which were offset by a decrease in BOCES aid of $777,174.

The overall increase in expenses of $1,972,018 was mainly in the instruction area, and can be principally attributed to salaries as the District hired additional staff to handle the District's increasing student population, as well as increases in contractually required employee benefits.

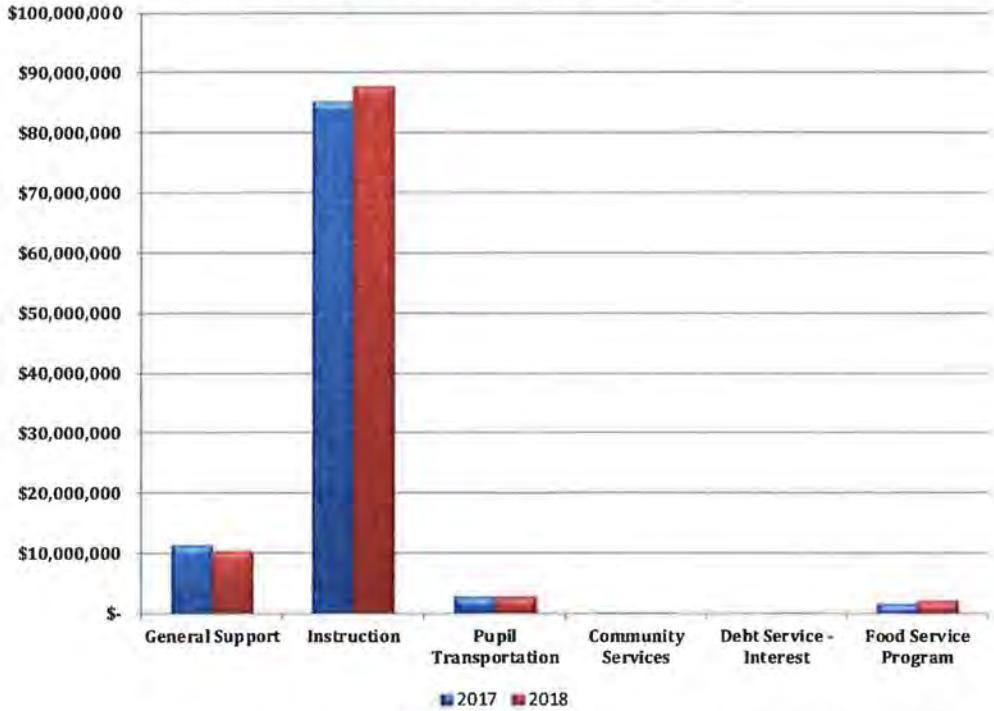
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 60.9% and 63.4% of the total for the years ended June 30, 2018 and 2017, respectively). Instruction expense is the largest category of expenses incurred (i.e., 84.6% and 83.6% of the total for the years ended June 30, 2018 and 2017, 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
2017	0.3%	8.2%	0.3%	63.4%	22.7%	5.1%
2018	0.4%	7.5%	0.0%	60.9%	25.9%	5.3%

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
2017	11.4%	83.6%	2.9%	0.1%	0.2%	1.8%
2018	10.2%	84.6%	2.9%	0.0%	0.2%	2.1%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2018, the District's governmental funds reported a combined fund balance of $6,046,324, which is a decrease of $2,245,430 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:

	2018	2017	Increase (Decrease)
General Fund			
Restricted:			
Retirement contribution	$ 1,646,456	$ 1,882,338	$ (235,882)
Tax certiorari	875,000		875,000
Employee benefit accrued liability	1,001,275	993,821	7,454
Assigned:			
Appropriated fund balance	1,000,000	3,000,000	(2,000,000)
Unappropriated fund balance	117,598	97,977	19,621
Unassigned: Fund balance	2,950,229	985,222	1,965,007
	7,590,558	6,959,358	631,200
School Food Service Fund			
Nonspendable: Inventory	7,820	30,321	(22,501)
Assigned: Unappropriated fund balance	477,199	562,825	(85,626)
	485,019	593,146	(108,127)
Debt Service Fund			
Restricted: Debt service		270,000	(270,000)
Capital Projects Fund			
Assigned: Unappropriated fund balance		469,250	(469,250)
Unassigned: Fund balance (deficit)	(2,029,253)		(2,029,253)
	(2,029,253)	469,250	(2,498,503)
Total Fund Balance	$ 6,046,324	$ 8,291,754	$ (2,245,430)

A. General Fund

The net change in the general fund – fund balance is an increase of $631,200 compared to a $3,330,102 decrease in the prior year, as revenues and other sources of $94,092,084 exceeded expenditures and other uses of $93,460,884. Revenues and other sources increased by $5,543,376 (6.26%) from fiscal 2017 totals, primarily because of the increase in state sources of $4,313,076. Expenditures and other uses increased $1,582,074 (1.72%) over fiscal 2017 totals, primarily due to an increase in instruction $2,697,719, offset by a decrease in general support of $1,030,792, specifically in the central services and special items areas.

The District expects to appropriate $250,000 from the retirement contribution reserve to fund the budget and reduce taxes for the year ending June 30, 2019.

B. School Food Service Fund

The net change in the school food service fund – fund balance was a decrease of $108,127, which was the current year operating loss. In the prior year, the loss was $66,709. The school food service fund experienced an overall increase in expenditures during the current year, as the District incurred additional expenditures renovating cafeteria restrooms at the high school as well as improvements to the walk in cooler at the middle school.

C. Debt Service Fund

The net change in the debt service fund – fund balance was a decrease of $270,000, as $270,000 was used to offset bond principal and interest payments.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance was a decrease of $2,498,503. The decrease is a result of expenditures related to capital improvement projects in the amount of $3,319,037 and an operating transfer to the general fund for completed capital improvement projects of $14,978, offset by a transfer from the general fund of $775,600 and an insurance recovery of $59,912.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2017-2018 Budget

The District's general fund adopted budget for the year ended June 30, 2018, was $96,074,468. This amount was increased by encumbrances carried forward from the prior year in the amount of $97,977 for a total final budget of $96,172,445.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was $61,936,368 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	$ 985,222
Revenues Over Budget	1,517,616
Expenditures and Encumbrances Under Budget	2,593,963
Unused appropriated reserves	(250,000)
Net Transfers to Reserves	(896,572)
Appropriated to Fund the June 30, 2019 Budget	(1,000,000)
Closing Unassigned Fund Balance	$ 2,950,229

Opening, Unassigned Fund Balance

The $985,222 shown in the table is the portion of the District's June 30, 2017 fund balance that was retained as unassigned. This was 1.03% of the District's 2017-2018 approved operating budget of $96,074,468. It was within the maximum 4% unassigned fund balance permitted by law.

Revenues Over Budget

The District's 2017-2018 final budget for revenues was $92,574,468. Actual revenues and other sources received for the year were $94,092,084. The excess of actual revenues compared to budgeted revenues was $1,517,616 and contributes directly to the change to the general fund unassigned fund balance from June 30, 2017 to June 30, 2018.

Expenditures and Encumbrances Under Budget

The 2017-2018 final budget for expenditures was $96,172,445. Actual expenditures as of June 30, 2018 were $93,460,884 and outstanding encumbrances were $117,598. Combined, the expenditures plus encumbrances for 2017-2018 were $93,578,482. The final budget was under expended by $2,593,963. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2017 to June 30, 2018.

Unused Appropriated Reserves

In the 2017-2018 budget, $500,000 of reserves were appropriated to reduce the tax levy. Due to lower than anticipated expenditures, $250,000 of this funding was not needed and, therefore, returned to the reserves 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 $896,572 in the previous table is made up of a transfer to the tax certiorari reserve of $875,000 and of interest earnings allocated to the reserves of $21,572.

Appropriated Fund Balance

The District has chosen to use $1,000,000 of the available June 30, 2018 unassigned fund balance to partially fund the 2018-2019 approved operating budget. As such, the June 30, 2018 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, 2018 was $2,950,229. This amount equals 3.03% of the 2018-2019 budget and is within the 4% statutory limit.

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

A. Capital Assets

At June 30, 2018, 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 $3,550,144 in excess of depreciation expense of $880,537 recorded for the year ended June 30, 2018. A summary of the District's capital assets, net of depreciation at June 30, 2018 and 2017, is as follows:

	2018	As Restated 2017	Increase (Decrease)
Land	$ 911,250	$ 911,250	$ -
Construction in progress	4,224,791	995,884	3,228,907
Buildings and improvements	25,319,409	25,867,880	(548,471)
Site improvements	186,042	244,132	(58,090)
Vehicles	193,161	175,679	17,482
Furniture and equipment	1,094,193	1,064,414	29,779
Capital assets, net	$ 31,928,846	$ 29,259,239	$ 2,669,607

The District's capital asset inventory report was updated during the year ended June 30, 2018. The 2017 balances have been restated to reflect the updated report. See Note 10 "Capital Assets/Prior Period Adjustment" for additional information.

B. Debt Administration

At June 30, 2018, the District had total bonds payable of $9,275,000. 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, 2018 and 2017 is as follows:

Issue Date	Interest Rate	2018	2017	Increase (Decrease)
2007	0.00%	$ 5,000,000	$ 6,200,000	$ (1,200,000)
2015	3.00%	4,275,000	4,720,000	(445,000)
		$ 9,275,000	$ 10,920,000	$ (1,645,000)

The District's latest underlying, long-term credit rating affirmed by Moody's Investors Service, Inc. as of April 2015 is Aa3. The District's outstanding serial bonds at June 30, 2018 are approximately 4.5% 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.

	2018	As Restated 2017	Increase (Decrease)
Compensated absences	$ 3,239,137	$ 2,860,242	$ 378,895
Net pension liability - proportionate share	832,591	5,258,144	(4,425,553)
Total OPEB obligation	96,026,058	92,742,098	3,283,960
	$ 100,097,786	$ 100,860,484	$ (762,698)

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 15, 2018, for the year ending June 30, 2019, is $97,227,468. This is an increase of $1,153,000 or 1.2% over the previous year's budget, primarily in the instruction area of the budget.

The District budgeted revenues other than property taxes and STAR at a $2,238,551 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 $250,000 applied to the June 30, 2019 budget are a $2,250,000 decrease from the previous year. A property tax increase of 1.88% 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 to June 15, 2020. 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 2018-2019 property tax increase of 1.88% 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 for the 2016-17 through 2019-20 school years. 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, 2018

ASSETS	
Cash	
Unrestricted	$ 7,547,228
Restricted	6,972,484
Receivables	
Accounts receivable	71,775
Due from fiduciary funds	1,243
Due from state and federal	3,543,422
Due from other governments	1,198,260
Inventories	7,820
Capital assets:	
Not being depreciated	5,136,041
Being depreciated, net of accumulated depreciation	26,792,805
Net pension asset - proportionate share	2,102,797
Total Assets	53,373,875
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on advanced bond refunding	152,954
Pensions	30,000,980
Total Deferred Outflows of Resources	30,153,934
LIABILITIES	
Payables	
Accounts payable	921,209
Accrued liabilities	267,003
Due to teachers' retirement system	4,924,311
Due to employees' retirement system	310,274
Unearned credits	
Collections in advance	365,760
Notes payable	
Bond anticipation	5,800,000
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	1,713,863
Compensated absences payable	14,500
Due and payable after one year	
Bonds payable, net	7,784,905
Compensated absences payable	3,224,637
Net pension liability - proportionate share	832,591
Total other postemployment benefits obligation	96,026,058
Total Liabilities	122,185,111
DEFERRED INFLOWS OF RESOURCES	
Pensions	9,894,235
NET POSITION (DEFICIT)	
Net investment in capital assets	20,303,599
Restricted	
Retirement contribution	1,646,456
Tax certiorari	875,000
Employee benefit accrued liability	1,001,275
	3,522,731
Unrestricted (deficit)	(72,377,867)
Total Net Position (Deficit)	$ (48,551,537)

See Notes to Financial Statements

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General support	$ 10,587,154	$	$	$ (10,587,154)
Instruction	87,963,353	128,442	5,821,343	(82,013,568)
Pupil transportation	3,023,664			(3,023,664)
Community services	39,809			(39,809)
Debt service - interest	180,082			(180,082)
Food service program	2,145,735	262,401	1,826,585	(56,749)
Total Functions and Programs	$ 103,939,797	$ 390,843	$ 7,647,928	(95,901,026)
GENERAL REVENUES				
Real property taxes				55,248,637
Other tax items				8,688,604
Nonproperty taxes				1,817,523
Use of money and property				467,470
Sale of property and compensation for loss				107,076
Miscellaneous				796,266
State sources				26,380,238
Medicaid reimbursement				236,183
Total General Revenues				93,741,997
Change in Total Net Position (Deficit)				(2,159,029)
Total Net Position (Deficit) - Beginning of Year, as Restated				(46,392,508)
Total Net Position (Deficit) - End of Year				$ (48,551,537)

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$ 6,466,370	$ 143,100	$ 472,552	$	$ 465,206	$ 7,547,228
Restricted	3,522,731				3,449,753	6,972,484
Receivables						
Accounts receivable	66,315	5,213	247			71,775
Due from other funds	1,478,040					1,478,040
Due from state and federal	1,799,091	1,628,061	116,270			3,543,422
Due from other governments	1,198,260					1,198,260
Inventories			7,820			7,820
Total Assets	$ 14,530,807	$ 1,776,374	$ 596,889	$ -	$ 3,914,959	$ 20,819,029
LIABILITIES						
Payables						
Accounts payable	$ 453,826	$ 247,482	$ 99,133	$	$ 120,768	$ 921,209
Accrued liabilities	221,113	28,980	4,256			254,349
Due to other funds		1,453,353			23,444	1,476,797
Due to teachers' retirement system	4,924,311					4,924,311
Due to employees' retirement system	310,274					310,274
Unearned credits						
Collections in advance	310,720	46,559	8,481			365,760
Notes payable						
Bond anticipation					5,800,000	5,800,000
Total Liabilities	6,220,244	1,776,374	111,870	-	5,944,212	14,052,700
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	720,005					720,005
FUND BALANCES						
Nonspendable: Inventories			7,820			7,820
Restricted:						
Retirement contribution	1,646,456					1,646,456
Tax certiorari	875,000					875,000
Employee benefit accrued liability	1,001,275					1,001,275
Assigned:						
Appropriated fund balance	1,000,000					1,000,000
Unappropriated fund balance	117,598		477,199			594,797
Unassigned: Fund balance (deficit)	2,950,229				(2,029,253)	920,976
Total Fund Balances (Deficit)	7,590,558	-	485,019	-	(2,029,253)	6,046,324
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 14,530,807	$ 1,776,374	$ 596,889	$ -	$ 3,914,959	$ 20,819,029

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total Governmental Fund Balances		$ 6,046,324
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Long-term receivables are not available to pay current period expenditures and, therefore, the revenue is deferred on the governmental fund statements.		720,005
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	(163,261)	
		152,954
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	70,754,036	
Accumulated depreciation	(38,825,190)	
		31,928,846
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	2,102,797	
Deferred outflows of resources	30,000,980	
Net pension liability - employees' retirement system	(832,591)	
Deferred inflows of resources	(9,894,235)	
		21,376,951
Total other postemployment benefits obligation related to providing benefits in retirement is not a current obligation and is not reported in the funds.		(96,026,058)
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	(12,654)	
Bonds payable	(9,498,768)	
Compensated absences payable	(3,239,137)	
		(12,750,559)
Total Net Deficit		$ (48,551,537)

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$ 55,248,637	$	$	$	$	$ 55,248,637
Other tax items	8,688,604					8,688,604
Nonproperty taxes	1,817,523					1,817,523
Charges for services	128,442					128,442
Use of money and property	464,049		3,421			467,470
Sale of property and compensation for loss	47,164				59,912	107,076
Miscellaneous	796,266	192,711	4,840			993,817
State sources	26,380,238	432,691	48,189			26,861,118
Medicaid reimbursement	236,183					236,183
Federal sources		5,195,941	1,778,396			6,974,337
Sales			257,561			257,561
Total Revenues	93,807,106	5,821,343	2,092,407	-	59,912	101,780,768
EXPENDITURES						
General support	8,887,604					8,887,604
Instruction	58,802,485	5,787,031				64,589,516
Pupil transportation	2,885,919	137,745				3,023,664
Community services	39,809					39,809
Employee benefits	20,121,423					20,121,423
Debt service						
Principal	1,645,000					1,645,000
Interest	193,986					193,986
Food service program			2,206,159			2,206,159
Capital outlay					3,319,037	3,319,037
Total Expenditures	92,576,226	5,924,776	2,206,159	-	3,319,037	104,026,198
Excess (Deficiency) of Revenues Over Expenditures	1,230,880	(103,433)	(113,752)	-	(3,259,125)	(2,245,430)
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in	284,978	103,433	5,625		775,600	1,169,636
Operating transfers (out)	(884,658)			(270,000)	(14,978)	(1,169,636)
Total Other Financing Sources and (Uses)	(599,680)	103,433	5,625	(270,000)	760,622	-
Net Change in Fund Balances	631,200	-	(108,127)	(270,000)	(2,498,503)	(2,245,430)
Fund Balances (Deficit) - Beginning of Year	6,959,358		593,146	270,000	469,250	8,291,754
End of Year	$ 7,590,558	$ -	$ 485,019	$ -	$ (2,029,253)	$ 6,046,324

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, 2018

Net Change in Fund Balances		$ (2,245,430)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
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.		
Increase in compensated absences payable		(378,895)
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	3,550,144	
Depreciation expense	(880,537)	
		2,669,607
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.	17,204	
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.	1,645,000	
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, 2017 to June 30, 2018.	(3,300)	
		1,658,904
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, is not reported in the governmental funds.		
Teachers' retirement system	(627,998)	
Employees' retirement system	48,743	
Other postemployment benefits	(3,283,960)	
		(3,863,215)
Change in Total Net Position (Deficit) of Governmental Activities		$ (2,159,029)

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2018

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	$ 87,271	$
Restricted		223,972
Total Assets	$ 87,271	223,972
LIABILITIES		
Extraclassroom activity balances	$ 54,500	
Due to governmental funds	1,243	
Other liabilities	31,528	
Total Liabilities	$ 87,271	-
NET POSITION		
Restricted for scholarships		$ 223,972

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, 2018

	Private Purpose Trust
ADDITIONS	
Contributions	$ 103,634
Investment earnings	
Interest	566
Total Additions	104,200
DEDUCTIONS	
Scholarships and awards	104,490
Change in Net Position	(290)
Net Position - Beginning of Year	224,262
Net Position - End of Year	$ 223,972

See Notes to Financial Statements

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.

Debt Service Fund - accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt of governmental activities.

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 two 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.

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 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 be legally be appropriated. The reserve is 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 Debt Service

Unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service 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. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The implementation of the Statement requires the District to report other postemployment benefits liabilities, expenses, deferred outflows or resources and deferred inflows of resources on the full accrual basis.

3. 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.

4. 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. No supplemental appropriations occurred during the year.

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 $2,029,253. This will be funded when the District obtains permanent financing for its current construction projects.

5. 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, 2018 are $1,219,485,996, which consisted of $213,214,286 in repurchase agreements, $775,228,258 in U.S. Treasury Securities, $231,043,452 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	$ 5,033,851
Special aid fund	34,317
School food service fund	287,777
Capital projects fund	3,865,905
	$ 9,221,850

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.

6. PARTICIPATION IN BOCES

During the year ended June 30, 2018, the District was billed $8,658,703 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $1,311,844. Financial statements for the BOCES are available from the BOCES administrative offices at 17 Berkley Drive, Rye Brook, New York 10573.

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2018, consisted of:

General Fund	
New York State - general aid	$ 370,288
New York State - excess cost aid	1,100,435
New York State - building aid	306,080
New York State - transportation aid	22,288
	1,799,091
Special Aid Fund	
Federal and state grants	1,628,061
School Food Service Fund	
Federal and state food service program reimbursements	116,270
	$ 3,543,422

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2018, consisted of:

General Fund	
BOCES aid	$ 666,927
PILOT payments	51,540
Sales tax revenue due from county	469,061
Program revenue due from other districts	10,732
	$ 1,198,260

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2018, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	$ 1,478,040	$	$ 284,978	$ 884,658
Special Aid Fund		1,453,353	103,433	
School Food Service Fund			5,625	
Debt Service Fund				270,000
Capital Projects Fund		23,444	775,600	14,978
Total Governmental Funds	1,478,040	1,476,797	$ 1,169,636	$ 1,169,636
Fiduciary Funds		1,243		
Total	$ 1,478,040	$ 1,478,040		

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 capital projects fund was for capital improvement projects per the approved budget.

10. CAPITAL ASSETS/PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2018, the District had a third-party vendor perform a physical inventory of the District's capital assets. As a result of the inventory, it was necessary for the District to adjust the June 30, 2017 capital assets and accumulated depreciation balances as follows:

	As Reported June 30, 2017	As Restated June 30, 2017	Increase (Decrease)
Governmental activities			
Capital assets not being depreciated			
Land	$ 911,250	$ 911,250	$
Construction in progress	995,884	995,884	
Total capital assets not being depreciated	1,907,134	1,907,134	-
Capital assets being depreciated			

	As Reported June 30, 2017	As Restated June 30, 2017	Increase (Decrease)
Capital assets being depreciated			
Buildings and improvements	$ 60,571,939	$ 60,571,939	$
Site improvements	1,349,838	1,349,838	
Vehicles	470,127	470,127	
Furniture and equipment	5,563,738	3,084,713	(2,479,025)
Total Capital assets being depreciated	67,955,642	65,476,617	(2,479,025)
Less accumulated depreciation for:			
Buildings and improvements	34,704,059	34,704,059	
Site improvements	1,105,706	1,105,706	
Vehicles	294,448	294,448	
Furniture and equipment	3,026,095	2,020,299	(1,005,796)
Total accumulated depreciation	39,130,308	38,124,512	(1,005,796)
Total capital assets being depreciated, net	28,825,334	27,352,105	(1,473,229)
Capital assets, net	$ 30,732,468	$ 29,259,239	$ (1,473,229)

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	As Restated Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	$ 911,250	$	$	$ 911,250
Construction in progress	995,884	3,245,638	(16,731)	4,224,791
Total capital assets not being depreciated	1,907,134	3,245,638	(16,731)	5,136,041
Capital assets being depreciated				
Buildings and improvements	60,571,939	90,130		60,662,069
Site improvements	1,349,838			1,349,838
Vehicles	470,127	49,498		519,625
Furniture and equipment	3,084,713	181,609	(179,859)	3,086,463
Total capital assets being depreciated	65,476,617	321,237	(179,859)	65,617,995
Less accumulated depreciation for:				
Buildings and improvements	34,704,059	638,601		35,342,660
Site improvements	1,105,706	58,090		1,163,796
Vehicles	294,448	32,016		326,464
Furniture and equipment	2,020,299	151,830	(179,859)	1,992,270
Total accumulated depreciation	38,124,512	880,537	(179,859)	38,825,190
Total capital assets, being depreciated, net	27,352,105	(559,300)	-	26,792,805
Capital assets, net	$ 29,259,239	$ 2,686,338	$ (16,731)	$ 31,928,846

Depreciation expense was allocated to governmental functions as follows:

General support	$ 37,145
Instruction	806,629
Food service program	36,763
Total depreciation expense	$ 880,537

11. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2017	Issued	Redeemed	Balance June 30, 2018
BAN	6/15/2018	2.25%	$ 3,189,973	$	$ (3,189,973)	$
BAN	6/14/2019	2.75%		5,800,000	-	5,800,000
			$ 3,189,973	$ 5,800,000	$ (3,189,973)	$ 5,800,000

Interest on short-term debt for the year was $40,286. The District received premiums of $52,376, which are included in accrued liabilities in the general fund.

12. 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, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 10,920,000	$	$ (1,645,000)	$ 9,275,000	$ 1,665,000
Add: Premium on refunding	278,131		(54,363)	223,768	48,863
	11,198,131		(1,699,363)	9,498,768	1,713,863
Other long-term liabilities					
Compensated absences	2,860,242	378,895		3,239,137	14,500
	$ 14,058,373	$ 378,895	$ (1,699,363)	$ 12,737,905	$ 1,728,363

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, 2018
Serial Bonds - QZAB	2007	2022	0.00%	$ 5,000,000
Refunding Bonds	2015	2026	3.00%	4,275,000
				$ 9,275,000

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

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,665,000	$ 135,900	$ 1,800,900
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 - 2026	1,755,000	70,600	1,825,600
Total	$ 9,275,000	$ 556,500	$ 9,831,500

C. Advance Refunding

In 2015, the District defeased certain general obligations. The defeased bonds became callable and were paid during June 2016.

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	Total
2019	$ 33,400	$ (48,863)	$ (15,463)
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 - 2026	26,749	(39,133)	(12,384)
Total	$ 152,954	$ (223,768)	$ (70,814)

D. Interest Expense

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

Interest paid	$	153,700
Less interest accrued in the prior year		(9,354)
Plus interest accrued in the current year		12,654
Less amortization of amounts on refundings		(17,204)
Total interest expense on long-term debt	$	139,796

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, 2018, BANs in the amount of $5,800,000 have been issued. 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, 2018, no debt has been issued, but work has commenced and expenditures are recorded in the capital projects fund.

13. 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 11.72% of covered payroll for the TRS' fiscal year ended June 30, 2017. The District's average contribution rate was 13.82% of covered payroll for the ERS' fiscal year ended March 31, 2018.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2018 was $4,413,445 for TRS and $1,023,456 for ERS.

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

At June 30, 2018, 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, 2017, for TRS and March 31, 2018 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, 2017	March 31, 2018
District's proportionate share of the net pension asset/(liability)	$ 2,102,797	$ (832,591)
District's portion of the Plan's total net pension asset/(liability)	0.2766480%	0.0257972%
Change in proportion since the prior measurement date	0.0122080	(0.0000205)

For the year ended June 30, 2018, the District recognized pension expense of $5,041,443 for TRS and $1,023,457 for ERS. At June 30, 2018, 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	$ 1,730,086	$ 296,958	$ 819,856	$ 245,395
Changes of assumptions	21,396,373	552,076		
Net difference between projected and actual earnings on pension plan investments		1,209,272	4,952,696	2,386,981
Changes in proportion and differences between the District's contributions and proportionate share of contributions		92,496	1,466,296	23,011
District's contributions subsequent to the measurement date	4,413,445	310,274		
Total	$ 27,539,904	$ 2,461,076	$ 7,238,848	$ 2,655,387

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	TRS	ERS
2019	$ 242,200	$ 195,129
2020	5,416,413	163,380
2021	3,806,565	(592,882)
2022	761,241	(270,212)
2023	3,794,779	
Thereafter	1,866,413	
	$ 15,887,611	$ (504,585)

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, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Inflation	2.50%	2.50%
Salary increases	1.90-4.72%	3.80%
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 weighing 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, 2017		March 31, 2018
Asset type				
Domestic equity	35.0%	5.90%	36.0%	4.55%
International equity	18.0%	7.40%	14.0%	6.35%
Real estate	11.0%	4.30%	10.0%	5.55%
Private equities	8.0%	9.00%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.60%		
Global fixed income securities	2.0%	1.30%		
High-yield fixed income securities	1.0%	3.90%		
Bonds and mortgages	8.0%	2.80%	17.0%	1.31%
Short-term	1.0%	0.60%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.50%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.2% 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 discount rate used by the TRS at the prior year's measurement date of June 30, 2016, was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current 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)	$ (36,224,972)	$ 2,102,797	$ 34,200,402

ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	$ (6,299,605)	$ (832,591)	$ 3,792,285

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	(Dollars in Thousands)	
Measurement date	June 30, 2017	March 31, 2018
Employers' total pension liability	$ (114,708,261)	$ (183,400,590)
Plan fiduciary net position	115,468,360	180,173,145
Employers' net pension asset/(liability)	$ 760,099	$ (3,227,445)
Ratio of plan fiduciary net position to the employers' total pension liability	100.66%	98.24%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018, are paid to the system in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018, represent employer and employee contributions for the fiscal year ended June 30, 2018, 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, 2018 amounted to $4,413,445 of employer contributions and $510,866 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, 2018, represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to $310,274 of employer contributions. Employee contributions are remitted monthly.

14. 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, 2018, there were no employer non-elective contributions and employee elective contributions were $2,004,407.

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, 2018 totaled $143,110.

15. 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	235
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	590
	825

B. Total OPEB Liability

The District's total OPEB liability of $96,026,058 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2018 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	3.70%	
Healthcare cost trend rates	8.00%	for July 1, 2019, decreasing 0.5% per year to an ultimate rate of 5.0% for July 1, 2025 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 AA.

The actuarial assumptions used in the June 30, 2018 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, 2017	$ 92,742,098
Changes for the year	
Service cost	1,608,928
Interest	3,399,554
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	(1,724,522)
	3,283,960
Balance at June 30, 2018	$ 96,026,058

Changes of assumptions and other inputs reflect a change in the discount rate from 4.0% in 2017 to 3.7% in 2018.

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 (2.7%) or 1 percentage point higher (4.7%) than the current discount rate:

OPEB	1% Decrease (2.70)%	Discount Rate (3.70)%	1% Increase (4.70)%
Total OPEB liability	$ (123,370,017)	$(96,026,058)	$(76,869,752)

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)%	Healthcare Cost Trend Rates (8.00)%	1% Increase (9.00)%
Total OPEB liability	$(75,117,664)	$(96,026,058)	$ (127,757,547)

D. OPEB Expense

For the year ended June 30, 2018, the District recognized OPEB expense of $3,283,960.

16. 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, 2018, is $20,784,695 which includes IBNR. Of this total liability, $1,131,530 is associated with the District. The Plan has assets of $20,981,739 available as of June 30, 2018, to pay these liabilities. During the year ended June 30, 2018, the District's contribution to the Plan was $368,962.

The Plan has issued financial statements for the year ended June 30, 2018, 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.

17. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate $250,000 from the retirement contribution reserve, which is reported in the June 30, 2018 restricted fund balance to fund the budget and reduce taxes for the year ending June 30, 2019.

18. ASSIGNED APPROPRIATED FUND BALANCE

The amount of $1,000,000 has been appropriated to reduce taxes for the year ending June 30, 2019.

19. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75. The implementation of Statement No. 75 resulted in the reporting of a change in the liability for other postemployment benefits obligation. Additionally, the District had a third-party inventory of capital assets performed, resulting in a decrease to net position (see Note 10 "Capital Assets/Prior Period Adjustment" for further detail). The District's net position has been restated as follows:

Net position beginning of year, as previously stated	$ 33,935,099
GASB Statement No. 75 implementation	
Beginning total other postemployment benefits obligation	(92,742,098)
Less: Net other postemployment benefits obligation under GASB Statement No. 45	13,887,720
	(78,854,378)
Change in capital assets due to actuarial valuation	(1,473,229)
	(80,327,607)
Net position (deficit) beginning of year, as restated	$ (46,392,508)

20. 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 $2,912,107. The District received payment in lieu of taxes (PILOT) payments totaling $1,914,401.

21. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2018, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	$ 7,371
Instruction	110,227
	117,598
Capital Projects Fund	
Capital projects	3,918,334
	$ 4,035,932

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 $113,229. The minimum remaining operating lease payments are as follows:

Year Ending June 30,	Amount
2019	$ 160,101
2020	111,514
2021	96,711
2022	46,872
	$ 415,198

The District leases a school building under a non-cancelable operating lease. Rental expense for the year was $372,186. The minimum remaining operating lease payments are as follows:

Year Ending June 30,	Amount
2019	$ 31,066

22. 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 except for the following:

Issuance of BANs

On July 26, 2018, the District issued bond anticipation notes in the amount of $25,175,000, which are due June 14, 2019, and bear a stated interest rate of 2.75%. The District received premiums of $207,948 with the borrowing to yield an effective interest rate of 1.24%.

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, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 55,036,368	$ 55,036,368	$ 55,248,637	$ 212,269
Other tax items	8,859,833	8,859,833	8,688,604	(171,229)
Nonproperty tax items	1,700,000	1,700,000	1,817,523	117,523
Charges for services	93,000	93,000	128,442	35,442
Use of money and property	280,000	280,000	464,049	184,049
Sale of property and compensation for loss	17,000	17,000	47,164	30,164
Miscellaneous	260,751	260,751	796,266	535,515
Total Local Sources	66,246,952	66,246,952	67,190,685	943,733
State Sources	25,907,516	25,907,516	26,380,238	472,722
Medicaid Reimbursement	150,000	150,000	236,183	86,183
Total Revenues	92,304,468	92,304,468	93,807,106	1,502,638
OTHER SOURCES				
Operating Transfers In	270,000	270,000	284,978	14,978
Total Revenues and Other Sources	92,574,468	92,574,468	94,092,084	$ 1,517,616
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	3,000,000	3,000,000		
Prior Year's Encumbrances	97,977	97,977		
Appropriated Reserves	500,000	500,000		
Total Appropriated Fund Balance	3,597,977	3,597,977		
Total Revenues, Other Sources and Appropriated Fund Balance	$ 96,172,445	$ 96,172,445		

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, 2018

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	$ 68,978	$ 62,978	$ 56,856	$	$ 6,122
Central administration	442,466	442,136	439,588		2,548
Finance	1,017,121	1,067,970	1,032,819	311	34,840
Staff	162,160	234,973	189,008		45,965
Central services	6,555,378	6,458,379	5,978,783	7,060	472,536
Special items	1,179,452	1,276,452	1,190,550		85,902
Total General Support	9,425,555	9,542,888	8,887,604	7,371	647,913
Instruction					
Administration & improvement	4,710,208	4,767,257	4,602,421	4,016	160,820
Teaching - regular school	33,207,023	32,575,429	31,783,295	102,208	689,926
Programs for students with disabilities	15,735,261	16,849,367	16,465,813	110	383,444
Occupational education	515,712	703,037	703,037		-
Teaching - special schools	118,000	96,666	96,666		-
Instructional media	1,314,361	1,245,070	952,591	3,893	288,586
Pupil services	4,526,366	4,370,025	4,198,662		171,363
Total Instruction	60,126,931	60,606,851	58,802,485	110,227	1,694,139
Pupil Transportation	2,918,965	2,909,107	2,885,919		23,188
Community Services	57,000	57,546	39,809		17,737
Employee Benefits	21,015,294	20,308,553	20,121,423		187,130
Debt Service					
Principal	1,645,000	1,645,000	1,645,000		-
Interest	203,700	196,900	193,986		2,914
Total Debt Service	1,848,700	1,841,900	1,838,986	-	2,914
Total Expenditures	95,392,445	95,266,845	92,576,226	117,598	2,573,021
OTHER USES					
Operating Transfers Out	780,000	905,600	884,658		20,942
Total Expenditures and Other Uses	$ 96,172,445	$ 96,172,445	93,460,884	$ 117,598	$ 2,593,963
Net Change in Fund Balance			631,200		
Fund Balance - Beginning of Year			6,959,358		
Fund Balance - End of Year			$ 7,590,558		

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.

See Paragraph on Required Supplementary Information Included in Auditor's Report

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

Teachers' Retirement System

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

Employees' Retirement System

	2018	2017	2016	2015
District's proportion of the net pension liability	0.0257972%	0.0258177%	0.0253253%	0.0258298%
District's proportionate share of the net pension liability	$ (832,591)	$ (2,425,886)	$ (4,064,781)	$ (872,593)
District's covered payroll	$ 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	10.93 %	33.11 %	58.46 %	12.98 %
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%	97.95%

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 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	$ 2,631,080
Contributions in relation to the contractually required contribution	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	2,631,080
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$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	$31,755,737
Contributions as a percentage of covered payroll	10%	12%	13%	18%	16%	12%	11%	9%	6%	8%

Employees' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 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	$ 477,748
Contributions in relation to the contractually required contribution	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	477,748
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 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	$ 5,971,734
Contributions as a percentage of covered payroll	13%	14%	16%	17%	21%	18%	15%	10%	7%	8%

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

	2018
Total OPEB liability	
Service cost	$ 1,608,928
Interest	3,399,554
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	-
Benefit payments	(1,724,522)
Net change in total OPEB liability	3,283,960
Total OPEB liability, beginning	92,742,098
Total OPEB liability, ending	$ 96,026,058
Covered employee payroll	$ 54,058,958
Total OPEB liability as a percentage of covered employee payroll	177.63%

See Paragraph on Required Supplementary Information Included in Auditor's Report

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, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$ 96,074,468
Additions:	
Prior year's encumbrances	97,977
Original Budget	96,172,445
Budget revision	-
Final Budget	$ 96,172,445

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget		$ 97,227,468
Maximum allowed (4% of 2018-19 budget)		$ 3,889,099
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$ 1,117,598	
Unassigned fund balance	2,950,229	
		$ 4,067,827
Less:		
Appropriated fund balance	1,000,000	
Encumbrances	117,598	
Total adjustments		1,117,598
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		$ 2,950,229
Actual Percentage		3.03%

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources -
Capital Projects Fund
For The Year Ended June 30, 2018

PROJECT TITLE	Budget June 30, 2017	Budget June 30, 2018	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, 2018	
High School Door Replacement	$ 100,000	$ 100,000	$ 98,605	$	$ 98,605	$ 1,395	$	$	$ 100,000	$ 100,000	$ 1,395	*
High School Door Replacement	100,000	100,000	99,216		99,216	784			100,000	100,000	784	*
High School Door Replacement	100,000	100,000	98,487		98,487	1,513			100,000	100,000	1,513	*
Park Avenue School Flooring	106,000	106,000	104,589		104,589	1,411			106,000	106,000	1,411	*
High School Standpipe	550,000	550,000	42,517		42,517	507,483			550,000	550,000	507,483	
Kennedy School Lower Roof	100,000	100,000	16,731	73,400	90,131	9,869			100,000	100,000	9,869	*
SMART Schools Bond Act	304,530	304,530	304,524		304,524	6		304,530		304,530	6	*
High School Additions & Reconstruction	49,993,213	49,993,213	530,822	1,359,897	1,890,719	48,102,494	49,187,808		805,405	49,993,213	48,102,494	
Edison Green Space & Reconstruction	292,544	292,544	10,122	11,992	22,114	270,430	291,636		908	292,544	270,430	
JFK Additions & Reconstruction	15,370,465	15,370,465	184,414	438,684	623,098	14,747,367	15,370,465			15,370,465	14,747,367	
King Street Additions & Reconstruction	11,619,906	11,619,906	139,387	341,313	480,700	11,139,206	11,619,906			11,619,906	11,139,206	
Park Avenue Additions & Reconstruction	2,673,872	2,673,872	71,893	71,981	143,874	2,529,998	2,670,159		3,713	2,673,872	2,529,998	
Middle School Interior Doors		25,600		11,495	11,495	14,105			25,600	25,600	14,105	
Middle School Facade		11,807,477		996,150	996,150	10,811,327	11,025,000		782,477	11,807,477	10,811,327	
Unallocated		27,435		14,125	14,125	13,310			27,435	27,435	13,310	
Totals	$ 81,310,530	$ 93,171,042	$ 1,701,307	$ 3,319,037	$ 5,020,344	$ 88,150,698	$ 90,164,974	$ 304,530	$ 2,701,538	$ 93,171,042	88,150,698	
										Interfund transfer	(14,978)	*
										Less unissued debt	(79,139,973)	
										Less unissued debt	(11,025,000)	
											$ (2,029,253)	

See Paragraph on Other Supplementary Information Included in Auditor's Report

PORT CHESTER-RYE UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2018

Capital assets, net	$ 31,928,846
Deduct:	
Bond anticipation notes payable	(5,800,000)
Less: Unspent BAN proceeds	3,449,753
Short-term portion of bonds payable	(1,665,000)
Long-term portion of bonds payable	(7,610,000)
	(11,625,247)
Net investment in capital assets	$ 20,303,599

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, 2018, 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 17, 2018.

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 17, 2018.

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 17, 2018