

PORT CHESTER - RYE
UNION FREE SCHOOL DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2017

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Port Chester - Rye Union Free School District (District), as of and for the year ended June 30, 2017, 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District pension contributions on pages 3 through 14 and 48 through 52, 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 53 through 55 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 26, 2017 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 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 26, 2017

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, 2017 in comparison with the year ended June 30, 2016, 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 2017 are as follows:

- The District's total net position, as reflected in the district-wide financial statement is $33,935,099, a decrease of $4,922,633 from the prior year.

- The District's expenses for the year, as reflected in the district-wide financial statements, totaled $101,967,779. Of this amount, $8,297,374 was offset by program charges for services and operating grants. General revenues of $88,443,242 amount to 91.1% of total revenues, and were not adequate to cover the balance of program expenses.

- The general fund's total fund balance decreased by $3,330,102 to $6,959,358.

- On the Balance Sheet, the general fund's unassigned fund balance at year end was $985,222, a decrease of $1,148,862 from the prior year. The unassigned fund balance is at a level which is within the limits of New York State Real Property Tax Law §1318.

- The budget for the 2017-18 school year in the amount of $96,074,468 was approved by the voters on May 16, 2017.

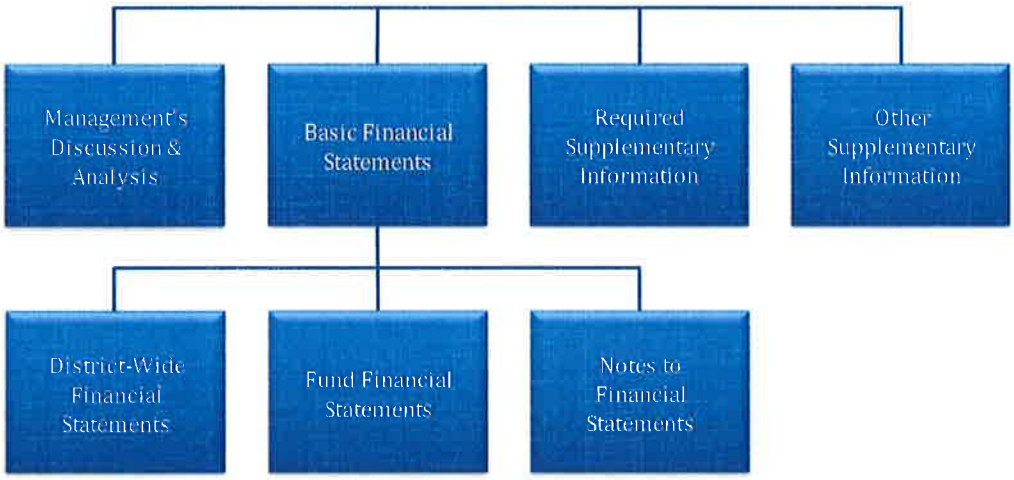
- The District's 2017 property tax levy of $61,463,145 was a 0.42% increase over the 2016 tax levy, which was equal to the property tax cap.

- On November 14, 2014, New York State passed the Smart Schools Bond Act (SSBA), which authorized the issuance of $2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the state. The District's allocation of the SSBA is $1,736,663 and will be used to purchase end user devices for students. The District has spent a total of $304,524 on end user devices as of June 30, 2017.

- 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 $3,189,973 and has expended $936,637 as of June 30, 2017.

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 the 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 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 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 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's 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 $4,922,633 between fiscal year 2017 and 2016. The decrease is due to expenses in excess of revenues based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2017	2016	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	$ 21,811,275	$ 21,566,339	$ 244,936	1.14 %
Capital Assets, Net	30,732,468	29,673,013	1,059,455	3.57 %
Net Pension Asset - Proportionate Share		26,282,662	(26,282,662)	(100.00)%
Total Assets	52,543,743	77,522,014	(24,978,271)	(32.22)%
Deferred Outflows of Resources	29,588,095	9,531,402	20,056,693	210.43 %
Liabilities				
Current and Other Liabilities	12,808,870	8,609,892	4,198,978	48.77 %
Long-Term Liabilities	14,058,373	15,664,860	(1,606,487)	(10.26)%
Net Other Postemployment Benefits Obligation	13,887,720	10,075,275	3,812,445	37.84 %
Net Pension Liability Proportionate Share	5,258,144	4,064,781	1,193,363	29.36 %
Total Liabilities	46,013,107	38,414,808	7,598,299	19.78 %
Deferred Inflows of Resources	2,183,632	9,780,876	(7,597,244)	(77.67)%
Net Position				
Net Investment in Capital Assets	19,686,088	17,123,013	2,563,075	14.97 %
Restricted	3,146,159	3,433,846	(287,687)	(8.38)%
Unrestricted	11,102,852	18,300,873	(7,198,021)	(39.33)%
Total Net Position	$ 33,935,099	$ 38,857,732	$ (4,922,633)	(12.67)%

Current and other assets increased by $244,936. This was primarily the result of increases in the due from state and federal of $562,280, and due from other governments of $538,466, net of a decrease in the District's restricted cash position of $961,287.

Capital assets, net increased during the year by $1,059,455. Capital additions totaling $2,269,616 were offset by depreciation expense in the amount of $1,210,161.

Net pension asset – proportionate share decreased by $26,282,662, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year. This decrease is due to the effects of the change in the discount rate used and as a result the District's share of the pension plan shifted from an asset to a liability.

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

Current and other liabilities increased $4,198,978 as compared to the prior year. The increase is primarily due to increases in accounts payable of $964,209 and the District's BANs payable to provide short term funding for capital improvement projects in the amount of $3,189,973.

Long-term liabilities decreased by $1,606,487, principally due to the repayment of serial bond principal.

Net other postemployment benefits (OPEB) obligation increased by $3,812,445, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by $1,193,363 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year. This decrease is due to a decrease in the net pension liability for the ERS and a shift of the net pension asset to a liability for the TRS.

Deferred inflows of resources represents actuarial adjustments at the pension plan level 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	$ 2,269,616
Additions financed by debt	(126,380)
Additions financed by appropriations	2,143,236
Principal debt reduction of construction bonds	1,630,000
Depreciation expense	(1,210,161)
	$ 2,563,075

The restricted amount of $3,146,159 relates to the District's reserves and other restricted amounts. This number decreased $287,687. The District utilized restricted resources of $300,000 for tax certiorari settlement payments. The reserves earned interest in the amount of $12,313.

The unrestricted amount of $11,102,852 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. This balance decreased from the prior year by $7,198,021, primarily as a result of the inclusion of the proportionate share of the state retirement plans' collective assets, deferred outflows, liabilities and deferred inflows offset by an unfunded addition to the OPEB liability.

B. Changes in Net Position

The results of this year's 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, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	$ 319,714	$ 275,678	$ 44,036	15.97 %
Operating Grants	7,977,660	6,947,366	1,030,294	14.83 %
Capital Grants	304,530		304,530	100.00 %
General Revenues				
Property Taxes and STAR	61,482,654	61,218,006	264,648	0.43 %
State Sources	22,067,162	22,513,776	(446,614)	(1.98)%
Other	4,893,426	4,362,659	530,767	12.17 %
Total Revenues	97,045,146	95,317,485	1,727,661	1.81 %
Expenses				
General Support	11,594,547	9,931,329	1,663,218	16.75 %
Instruction	85,309,591	74,213,304	11,096,287	14.95 %
Pupil Transportation	2,933,688	2,530,115	403,573	15.95 %
Community Services	101,455	66,960	34,495	51.52 %
Debt Service - Interest	154,256	276,030	(121,774)	(44.12)%
Food Service Program	1,874,242	1,831,878	42,364	2.31 %
Total Expenses	101,967,779	88,849,616	13,118,163	14.76 %
Increase in Net Position	$ (4,922,633)	$ 6,467,869	$(11,390,502)	(176.11)%

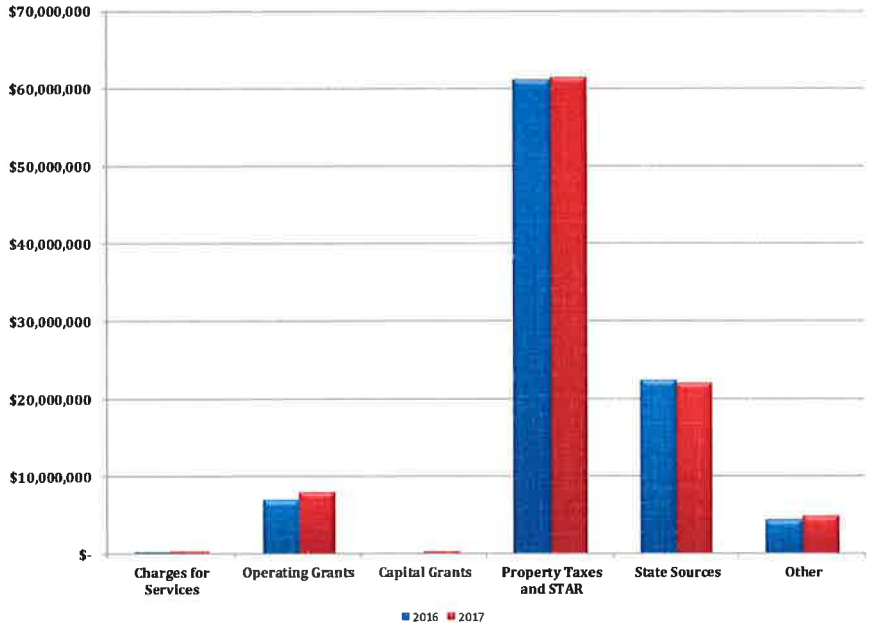
The change in net position represents the District's operating profit or loss on the accrual basis of accounting. For the year ended June 30, 2017, the loss was $4,922,633, compared to a profit of $6,467,869 in the prior year. Revenues increased by 1.81% while expenses increased by 14.76%.

The District's revenues increased by $1,727,661. The major contributing factors were increases in operating grants of $1,030,294, as the increase District's federal preschool expansion grant of $1,241,116, was offset by the write off of uncollectible receivables from prior years' summer handicapped programs of $256,442, capital grants of $304,530, as the District began purchasing end user devices under the Smart Schools Bond Act, and other of $530,767.

The overall increase in expenses of $13,118,163 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.

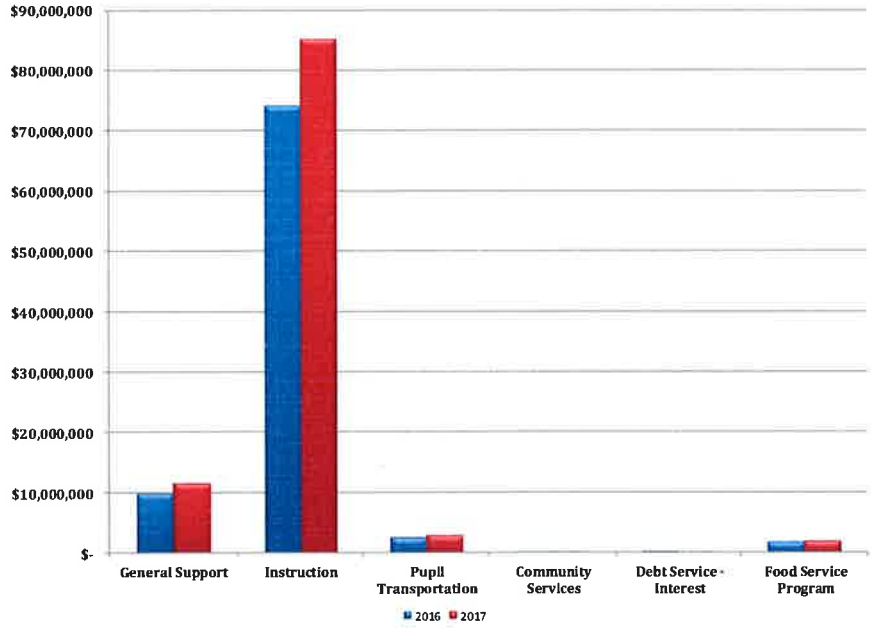
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 63.4% and 64.2% of the total for the years ended June 30, 2017 and 2016, respectively). Instruction expense is the largest category of expenses incurred (i.e., 83.6% and 83.5% of the total for the years ended June 30, 2017 and 2016, 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
2016	0.3%	7.3%	0.0%	64.2%	23.6%	4.6%
2017	0.3%	8.2%	0.3%	63.4%	22.7%	5.1%

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
2016	11.2%	83.5%	2.8%	0.1%	0.3%	2.1%
2017	11.4%	83.6%	2.9%	0.1%	0.2%	1.8%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2017, the District's governmental funds reported a combined fund balance of $8,291,754, which is a decrease of $3,951,809 from the prior year. This decrease is due to an excess of expenditures over revenues based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2017	2016	Increase (Decrease)
General Fund			
Restricted:			
Retirement contribution	$ 1,882,338	$ 1,874,279	$ 8,059
Tax certiorari		300,000	(300,000)
Employee benefit accrued liability	993,821	989,567	4,254
Assigned:			
Appropriated fund balance	3,000,000	4,100,000	(1,100,000)
Unappropriated fund balance	97,977	891,530	(793,553)
Unassigned: Fund balance	985,222	2,134,084	(1,148,862)
	6,959,358	10,289,460	(3,330,102)
School Food Service Fund			
Nonspendable: Inventory	30,321	8,868	21,453
Assigned: Unappropriated fund balance	562,825	650,987	(88,162)
	593,146	659,855	(66,709)
Debt Service Fund			
Restricted: Debt service	270,000	270,000	-
Capital Projects Fund			
Assigned: Unappropriated fund balance	469,250	1,024,248	(554,998)
Total Fund Balance	$ 8,291,754	$ 12,243,563	$ (3,951,809)

A. General Fund

The net change in the general fund – fund balance is a decrease of $3,330,102 compared to a $1,088,970 decrease in the prior year, as revenues of $88,548,708 exceeded expenditures and other uses of $91,878,810. Revenues decreased by $202,183 (0.23%) from fiscal 2016 totals, primarily because of the decrease in state sources of $446,614 and the decrease in operating transfers in of $600,000. Expenditures and other uses increased $2,038,949 (2.27%) over fiscal 2016 totals, primarily due to increases in instruction ($1,956,762) and general support ($1,083,736), offset by the decrease of $2,121,638 in debt service principal and interest.

The District expects to appropriate $500,000 from the retirement contribution reserve to fund the budget and reduce taxes for the year ending June 30, 2018.

B. School Food Service Fund

The net change in the school food service fund – fund balance was a decrease of $66,709, which was the current year operating loss. In the prior year, the profit was $53,588. The school food service fund experienced an overall increase in expenditures during the current year, as the District made additional equipment purchases and cafeteria improvements at the high school installing a new kiosk.

C. Debt Service Fund

The debt service fund – fund balance is $270,000, which will be used during the next fiscal year 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 $554,998. The decrease is a result of expenditures related to capital improvement projects in the amount of $1,509,528, offset by state sources of $304,530, as a result of the Smart Schools Bond Act and a transfer from the general fund of $650,000.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2016-17 Budget

The District's general fund adopted budget for the year ended June 30, 2017, was $92,111,720. This amount was increased by encumbrances carried forward from the prior year in the amount of $891,530 and budget revisions in the amount of $375,000 for a total final budget of $93,378,250.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was $61,463,145 in estimated property taxes and STAR payments.

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

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

Opening Unassigned Fund Balance	$ 2,134,084
Revenues Over Budget	461,988
Expenditures and Encumbrances Under Budget	1,401,463
Net Transfers to Reserves	(12,313)
Appropriated to Fund the June 30, 2018 Budget	(3,000,000)
Closing Unassigned Fund Balance	$ 985,222

Opening, Unassigned Fund Balance

The $2,134,084 shown in the table is the portion of the District's June 30, 2016 fund balance that was retained as unassigned. This was 2.32% of the District's 2016-17 approved operating budget of $92,111,720. It was within the maximum 4% unassigned fund balance permitted by law.

Revenues Over Budget

The District's 2016-17 final budget for revenues was $88,086,720. Actual revenues and other sources received for the year were $88,548,708. The excess of actual revenues compared to budgeted revenues was $461,988 and contributes directly to the change to the general fund unassigned fund balance from June 30, 2016 to June 30, 2017.

Expenditures and Encumbrances Under Budget

The 2016-17 final budget for expenditures was $93,378,250. Actual expenditures as of June 30, 2017 were $91,878,810 and outstanding encumbrances were $97,977. Combined, the expenditures plus encumbrances for 2016-17 were $91,976,787. The final budget was under expended by $1,401,463. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2016 to June 30, 2017.

Net Transfer from 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 $12,313 in the previous table is a result of interest earnings allocated to the reserves.

Appropriated Fund Balance

The District has chosen to use $3,000,000 of the available June 30, 2017 unassigned fund balance to partially fund the 2017-18 approved operating budget. As such, the June 30, 2017 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2017 was $985,222. This amount equals 1.03% of the 2017-18 budget and is within the 4% statutory limit.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2017, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to capital additions of $2,269,616 in excess of depreciation expense of $1,210,161 recorded for the year ended June 30, 2017. A summary of the District's capital assets, net of depreciation at June 30, 2017 and 2016, is as follows:

	2017	2016	Increase (Decrease)
Land	$ 911,250	$ 911,250	$ -
Construction in progress	995,884	475,626	520,258
Buildings and improvements	25,867,880	25,808,657	59,223
Site improvements	244,132	302,229	(58,097)
Vehicles	175,679	75,986	99,693
Furniture and equipment	2,537,643	2,099,265	438,378
Capital assets, net	$ 30,732,468	$ 29,673,013	$ 1,059,455

B. Debt Administration

At June 30, 2017, the District had total bonds payable of $10,920,000. 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, 2017 and 2016 is as follows:

Issue Date	Interest Rate	2017	2016	Increase (Decrease)
2007	0.00%	$ 6,200,000	$ 7,400,000	$ (1,200,000)
2015	3.00%	4,720,000	5,150,000	(430,000)
		$ 10,920,000	$ 12,550,000	$ (1,630,000)

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

	2017	2016	Increase (Decrease)
Compensated absences	$ 2,860,242	$ 2,777,078	$ 83,164
Net OPEB obligation	13,887,720	10,075,275	3,812,445
Net pension liability - proportionate share	5,258,144	4,064,781	1,193,363
	$ 22,006,106	$ 16,917,134	$ 5,088,972

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, 2017 are approximately 3.42% of the District's debt limit.

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 16, 2017, for the year ending June 30, 2018, is $96,074,468. This is an increase of $3,962,748 or 4.30% 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 $4,089,526 increase over the prior year's estimate. This increase is principally due to an estimated increase in state aid of $4,032,297. Additionally, the assigned, appropriated fund balance of $3,000,000 and reserves of $500,000 applied to the June 30, 2018 budget are a $600,000 decrease from the previous year. A property tax increase of 0.77% was needed to meet the revenue shortfall and cover the increase in projected expenditures.

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 2017-18 property tax increase of 0.77% 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 in the amount of $130 in the first year. In subsequent years, the amount of the credit 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. Coleen Kotzur
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, 2017

ASSETS	
Cash	
Unrestricted	$ 8,969,244
Restricted	6,209,752
Receivables	
Accounts receivable	95,808
Due from fiduciary funds	194,543
Due from state and federal	4,077,565
Due from other governments	2,234,042
Inventories	30,321
Capital assets:	
Not being depreciated	1,907,134
Being depreciated, net of accumulated depreciation	28,825,334
Total Assets	52,543,743
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on advanced bond refunding	190,113
Pensions	29,397,982
Total Deferred Outflows of Resources	29,588,095
LIABILITIES	
Payables	
Accounts payable	2,577,039
Accrued liabilities	379,254
Due to fiduciary funds	2,345
Due to teachers' retirement system	5,651,461
Due to employees' retirement system	307,839
Unearned credits	
Collections in advance	700,959
Notes payable	
Bond anticipation	3,189,973
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	1,699,363
Compensated absences payable	14,205
Due and payable after one year	
Bonds payable, net	9,498,768
Compensated absences payable	2,846,037
Net other postemployment benefits obligation	13,887,720
Net pension liability - proportionate share	5,258,144
Total Liabilities	46,013,107
DEFERRED INFLOWS OF RESOURCES	
Pensions	2,183,632
NET POSITION	
Net investment in capital assets	19,686,088
Restricted	
Retirement contribution	1,882,338
Employee benefit accrued liability	993,821
Debt service	270,000
	3,146,159
Unrestricted	11,102,852
Total Net Position	$ 33,935,099

See Notes to Financial Statements

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General support	$ 11,594,547	$	$	$	$ (11,594,547)
Instruction	85,309,591	106,863	6,315,328	304,530	(78,582,870)
Pupil transportation	2,933,688				(2,933,688)
Community services	101,455				(101,455)
Debt service - interest	154,256				(154,256)
Food service program	1,874,242	212,851	1,662,332		941
Total Functions and Programs	$ 101,967,779	$ 319,714	$ 7,977,660	$ 304,530	(93,365,875)
GENERAL REVENUES					
Real property taxes					54,570,553
Other tax items					8,831,813
Nonproperty taxes					1,701,235
Use of money and property					321,704
Sale of property and compensation for loss					20,192
Miscellaneous					685,706
State sources					22,067,162
Medicaid reimbursement					244,877
Total General Revenues					88,443,242
Change in Total Net Position					(4,922,633)
Total Net Position - Beginning of Year					38,857,732
Total Net Position - End of Year					$ 33,935,099

See Notes to Financial Statements

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2017

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$ 6,844,693	$ 1,228,723	$ 202,001	$	$ 693,827	$ 8,969,244
Restricted	3,146,159				3,063,593	6,209,752
Receivables						
Accounts receivable	89,630	5,003	1,175			95,808
Due from other funds	5,436,453	98,022	655,257	2,307,811	3,130,757	11,628,300
Due from state and federal	1,320,604	2,442,237	314,724			4,077,565
Due from other governments	2,234,042					2,234,042
Inventories			30,321			30,321
Total Assets	$ 19,071,581	$ 3,773,985	$ 1,203,478	$ 2,307,811	$ 6,888,177	$ 33,245,032
LIABILITIES						
Payables						
Accounts payable	$ 1,167,841	$ 505,757	$ 144,441	$	$ 759,000	$ 2,577,039
Accrued liabilities	324,813	45,087				369,900
Due to other funds	3,631,937	2,830,509	465,891	2,037,811	2,469,954	11,436,102
Due to teachers' retirement system	5,651,461					5,651,461
Due to employees' retirement system	307,839					307,839
Unearned credits						
Collections in advance	308,327	392,632				700,959
Notes payable						
Bond anticipation					3,189,973	3,189,973
Total Liabilities	11,392,218	3,773,985	610,332	2,037,811	6,418,927	24,233,273
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	720,005					720,005
FUND BALANCES						
Nonspendable: Inventories			30,321			30,321
Restricted:						
Retirement contribution	1,882,338					1,882,338
Employee benefit accrued liability	993,821					993,821
Debt service				270,000		270,000
Assigned:						
Appropriated fund balance	3,000,000					3,000,000
Unappropriated fund balance	97,977		562,825		469,250	1,130,052
Unassigned: Fund balance	985,222					985,222
Total Fund Balances	6,959,358	-	593,146	270,000	469,250	8,291,754
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 19,071,581	$ 3,773,985	$ 1,203,478	$ 2,307,811	$ 6,888,177	$ 33,245,032

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total Governmental Fund Balances		$ 8,291,754
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	$ 230,887	
Less: accumulated amortization	(40,774)	
		190,113
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	69,862,776	
Accumulated depreciation	(39,130,308)	
		30,732,468
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.		
Deferred outflows of resources	29,397,982	
Net pension liability - teachers' retirement system	(2,832,258)	
Net pension liability - employees' retirement system	(2,425,886)	
Deferred inflows of resources	(2,183,632)	
		21,956,206
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	(9,354)	
Bonds payable	(11,198,131)	
Compensated absences payable	(2,860,242)	
Net other postemployment benefits obligation	(13,887,720)	
		(27,955,447)
Total Net Position		$ 33,935,099

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2017

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$ 54,570,553	$	$	$	$	$ 54,570,553
Other tax items	8,831,813					8,831,813
Nonproperty taxes	1,701,235					1,701,235
Charges for services	106,863					106,863
Use of money and property	320,307		1,397			321,704
Sale of property and compensation for loss	20,192					20,192
Miscellaneous	685,706	186,340	7,865			879,911
State sources	22,067,162	199,521	44,981		304,530	22,616,194
Medicaid reimbursement	244,877					244,877
Federal sources		5,929,467	1,617,351			7,546,818
Sales			204,986			204,986
Total Revenues	88,548,708	6,315,328	1,876,580	-	304,530	97,045,146
EXPENDITURES						
General support	9,918,396					9,918,396
Instruction	56,104,766	6,625,409				62,730,175
Pupil transportation	2,808,478	125,210				2,933,688
Community services	89,250					89,250
Employee benefits	20,071,729					20,071,729
Debt service						
Principal	1,630,000					1,630,000
Interest	170,900					170,900
Food service program			1,943,289			1,943,289
Capital outlay					1,509,528	1,509,528
Total Expenditures	90,793,519	6,750,619	1,943,289	-	1,509,528	100,996,955
Deficiency of Revenues Over Expenditures	(2,244,811)	(435,291)	(66,709)	-	(1,204,998)	(3,951,809)
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in		435,291			650,000	1,085,291
Operating transfers (out)	(1,085,291)					(1,085,291)
Total Other Financing Sources and (Uses)	(1,085,291)	435,291	-	-	650,000	-
Net Change in Fund Balances	(3,330,102)	-	(66,709)	-	(554,998)	(3,951,809)
Fund Balances - Beginning of Year	10,289,460		659,855	270,000	1,024,248	12,243,563
End of Year	$ 6,959,358	$ -	$ 593,146	$ 270,000	$ 469,250	$ 8,291,754

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, 2017

Net Change in Fund Balances		$ (3,951,809)
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	$ (83,164)	
Increase in net other postemployment benefits obligation	(3,812,445)	
		(3,895,609)
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 expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period.		
Capital outlays	2,269,616	
Depreciation expense	(1,210,161)	
		1,059,455
Long-Term Debt Transactions Differences		
In the Statement of Activities, the amortization of deferred charges on refinancing bonds exceeded the amortization of premiums thereby increasing interest expense.	18,877	
Repayment of bond principal 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.	1,630,000	
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, 2016 to June 30, 2017.	(2,233)	
		1,646,644
Pension Differences		
The change in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.		
Teachers' retirement system	585,488	
Employees' retirement system	(366,802)	
		218,686
Change in Total Net Position of Governmental Activities		$ (4,922,633)

See Notes to Financial Statements

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2017

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	$ 315,364	$
Restricted		224,262
Due from governmental funds	2,345	
Total Assets	$ 317,709	224,262
LIABILITIES		
Extraclassroom activity balances	$ 99,426	
Due to governmental funds	194,543	
Other liabilities	23,740	
Total Liabilities	$ 317,709	-
NET POSITION		
Restricted for scholarships		$ 224,262

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, 2017

	Private Purpose Trust
ADDITIONS	
Contributions	$ 20,311
Investment earnings	
Interest	132
Total Additions	20,443
DEDUCTIONS	
Scholarships and awards	21,030
Change in Net Position	(587)
Net Position - Beginning of Year	224,849
Net Position - End of Year	$ 224,262

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 the current 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 Systems) 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 accrual basis of accounting in accordance with GASB Statement No. 45.

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 was accounted for in the general fund and was fully utilized during the fiscal year ended June 30, 2017.

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, 2017, the District implemented GASB Statement No. 77, *Tax Abatement Disclosures*, which requires the District to disclose information about tax abatement agreements impacting real property tax revenue.

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, including pensions.

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 modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

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 Differences

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus 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).

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. The following supplemental appropriations occurred during the year:

Contingent expenditures funded by a state grant	$ 75,000
Tax certiorari reserve	300,000
	$ 375,000

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.

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, 2017 are $670,541,676, which consisted of $166,914,400 in repurchase agreements, $322,759,602 in U.S. Treasury Securities, $108,867,674 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	$ 3,348,066
Special aid fund	910,914
School food service fund	200,384
Capital projects fund	3,551,513
	$ 8,010,877

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, 2017, the District was billed $7,105,977 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $2,089,018. 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, 2017, consisted of:

General Fund	
New York State - general aid	$ 121,466
New York State - excess cost aid	870,770
New York State - building aid	22,288
New York State - transportation aid	306,080
	1,320,604
Special Aid Fund	
Federal and state grants	2,442,237
School Food Service Fund	
Federal and state food service program reimbursements	314,724
	$ 4,077,565

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2017, consisted of:

General Fund	
BOCES aid	$ 1,744,432
PILOT payments	51,965
Sales tax revenue due from county	427,354
Program revenue due from other districts	10,291
	$ 2,234,042

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2017, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	$ 5,436,453	$ 3,631,937	$	$ 1,085,291
Special Aid Fund	98,022	2,830,509	435,291	
School Food Service Fund	655,257	465,891		
Debt Service Fund	2,307,811	2,037,811		
Capital Projects Fund	3,130,757	2,469,954	650,000	
Total Governmental Funds	11,628,300	11,436,102	$ 1,085,291	$ 1,085,291
Fiduciary Funds	2,345	194,543		
Total	$ 11,630,645	$ 11,630,645		

The District typically transfers from the general fund to the special aid fund, school food service fund and debt 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

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Governmental activities				
Capital assets not being depreciated				
Land	$ 911,250	$	$	$ 911,250
Construction in progress	475,626	995,884	(475,626)	995,884
Total capital assets not being depreciated	1,386,876	995,884	(475,626)	1,907,134
Capital assets being depreciated				
Buildings and improvements	59,887,194	684,745		60,571,939
Site improvements	1,349,838			1,349,838
Vehicles	416,506	126,621	(73,000)	470,127
Furniture and equipment	4,988,797	937,992	(363,051)	5,563,738
Total capital assets being depreciated	66,642,335	1,749,358	(436,051)	67,955,642
Less accumulated depreciation for:				
Buildings and improvements	34,078,537	625,522		34,704,059
Site improvements	1,047,609	421,148	(363,051)	1,105,706
Vehicles	340,520	26,928	(73,000)	294,448
Furniture and equipment	2,889,532	136,563		3,026,095
Total accumulated depreciation	38,356,198	1,210,161	(436,051)	39,130,308
Total capital assets, being depreciated, net	28,286,137	539,197	-	28,825,334
Capital assets, net	$ 29,673,013	$ 1,535,081	$ (475,626)	$ 30,732,468

Depreciation expense was allocated to governmental functions as follows:

General support	$ 35,028
Instruction	1,137,703
Food service program	37,430
Total depreciation expense	$ 1,210,161

11. SHORT-TERM DEBT

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

	Maturity	State Interest Rate	Balance June 30, 2016	Issued	Redeemed	Balance June 30, 2017
BAN	6/15/2018	2.25%	$	$ 3,189,973	$	$ 3,189,973

The District received premiums of $31,488, which are included in miscellaneous revenue 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, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 12,550,000	$	$ (1,630,000)	$ 10,920,000	$ 1,645,000
Add: Premium on refunding	337,782		(59,651)	278,131	54,363
	12,887,782		(1,689,651)	11,198,131	1,699,363
Other long-term liabilities					
Compensated absences	2,777,078	83,164		2,860,242	14,205
	$ 15,664,860	$ 83,164	$ (1,689,651)	$ 14,058,373	$ 1,713,568

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, 2017
Serial Bonds - QZAB	2007	2022	0.00%	$ 6,200,000
Refunding Bonds	2015	2026	3.00%	4,720,000
				$ 10,920,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 1,645,000	$ 153,700	$ 1,798,700
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 - 2026	2,300,000	127,500	2,427,500
Total	$ 10,920,000	$ 710,200	$ 11,630,200

C. Advance Refunding

In prior years, the District defeased certain general obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The defeased bonds became callable and were paid during June 2016.

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

Fiscal Year Ending June 30,	Amortization of Deferred Charges	Amortization of Premium	Total
2018	$ 37,159	$ (54,363)	$ (17,204)
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 - 2026	43,501	(63,640)	(20,139)
Total	$ 190,113	$ (278,131)	$ (88,018)

D. Interest Expense

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

Interest paid	$ 170,900
Less interest accrued in the prior year	(7,121)
Plus interest accrued in the current year	9,354
Plus amortization of amounts on refundings	(18,877)
Total interest expense on long-term debt	$ 154,256

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 13.26% of covered payroll for the TRS' fiscal year ended June 30, 2016. The District's average contribution rate was 14.33% of covered payroll for the ERS' fiscal year ended March 31, 2017.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2017 was $5,137,511 for TRS and $1,396,135 for ERS.

D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the systems. The net pension liability was measured as of June 30, 2016, for TRS and March 31, 2017 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension 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, 2016	March 31, 2017
District's proportionate share of the net pension liability	$ (2,832,258)	$ (2,425,886)
District's portion of the Plan's total net pension liability	0.2644400%	0.0258177%
Change in proportion since the prior measurement date	0.0114010	0.0004924

For the year ended June 30, 2017, the District recognized pension expense (credit) of $(1,760,364) for TRS and $1,456,268 for ERS. At June 30, 2017, 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	$	$ 60,790	$ 920,076	$ 368,385
Changes of assumptions	16,134,346	828,772		
Net difference between projected and actual earnings on pension plan investments	6,368,405	484,548		
Changes in proportion and differences between the District's contributions and proportionate share of contributions		75,771	856,077	39,094
District's contributions subsequent to the measurement date	5,137,511	307,839		
Total	$ 27,640,262	$ 1,757,720	$ 1,776,153	$ 407,479

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	TRS	ERS
2018	$ 1,836,278	$ 465,705
2019	1,836,278	465,705
2020	6,782,157	433,920
2021	5,243,350	(322,928)
2022	2,332,414	
Thereafter	2,696,121	
	$ 20,726,598	$ 1,042,402

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, 2016	March 31, 2017
Actuarial valuation date	June 30, 2015	April 1, 2016
Inflation	2.5%	2.5%
Salary increases	1.90-4.72%	3.8%
Investment rate of return (net of investment expense, including inflation)	7.5%	7.0%
Cost of living adjustments	1.5%	1.3%

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.

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.

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, 2016		March 31, 2017
Asset type				
Domestic equity	37.0%	6.10%	36.0%	4.55%
International equity	18.0%	7.30%	14.0%	6.35%
Real estate	10.0%	5.40%	10.0%	5.80%
Alternative investments	7.0%	9.20%	18.0%	4.00-7.75%
Domestic fixed income securities	17.0%	1.00%		
Global fixed income securities	2.0%	0.80%		
Bonds and mortgages	8.0%	3.10%	17.0%	1.31%
Short-term	1.0%	0.10%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.50%
	100.0%		100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2015 was 8.0%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon 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 liability calculated using the discount rate of 7.5% 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 (6.5% for TRS and 6.0% for ERS) or 1 percentage point higher (8.5% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
District's proportionate share of the net pension asset (liability)	$ (36,953,244)	$ (2,832,258)	$ 25,786,636

ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	$ (7,747,801)	$ (2,425,886)	$ 2,073,782

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, 2016	March 31, 2017
Employers' total pension liability	$ (108,577,184)	$ (177,400,586)
Plan fiduciary net position	107,506,142	168,004,363
Employers' net pension liability	$ (1,071,042)	$ (9,396,223)
Ratio of plan fiduciary net position to the employers' total pension liability	99.01%	94.70%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017, are paid to the system in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017, represent employer and employee contributions for the fiscal year ended June 30, 2017, 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 system. Accrued retirement contributions as of June 30, 2017 amounted to $5,137,511 of employer contributions and $513,950 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, 2017, represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to $307,839 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, 2017, employer non-elective contributions were $164,800 and employee elective contributions were $1,869,639.

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, 2017 totaled $96,164.

15. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. Plan Description

The District provides postemployment medical and Medicare Part B coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through SWSCHP. The plan does not issue a stand-alone financial report.

B. Funding Policy

District retirees contribute from 50% to 65% for individual or dependent coverage. The District assumes the balance of the cost of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2017, the District recognized a general fund expenditure of $1,424,886 for insurance premiums for 286 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution (ARC)	$ 3,303,685
Interest on net OPEB obligation	403,011
Adjustment to ARC	1,530,635
Annual OPEB cost (expense)	5,237,331
Contributions made	(1,424,886)
Increase in net OPEB obligation	3,812,445
Net OPEB obligation - beginning of year	10,075,275
Net OPEB obligation - end of year	$ 13,887,720

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 5,237,331	27.2%	$ 13,887,720
June 30, 2016	3,048,613	43.7%	10,075,275
June 30, 2015	2,899,566	46.2%	8,359,633

D. Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date the plan was 0% funded. The actuarial accrued liability for benefits was $58,166,637 and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $58,166,637. The covered payroll (annual payroll of active employees covered by the plan) was $52,464,604, and the ratio of the UAAL to the covered payroll was 110.87%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and for medical inflation an ultimate healthcare cost trend rate of 5.0%. The UAAL is being amortized over 30 years on a level dollar basis.

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, 2017, is $20,582,615 which includes IBNR. Of this total liability, $1,117,074 is associated with the District. The Plan has assets of $19,959,020 available as of June 30, 2017, to pay these liabilities. During the year ended June 30, 2017, the District's contribution to the Plan was $363,965.

The Plan has issued financial statements for the year ended June 30, 2017, which is the most recent year for which complete information is available. Copies of these statements can be obtained from the District's administrative office.

17. ASSIGNED APPROPRIATED FUND BALANCE

The amount of $3,000,000 has been appropriated to reduce taxes for the year ending June 30, 2018.

18. TAX ABATEMENTS

The Village of Port Chester Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced $3,886,455. The District received payment in lieu of taxes (PILOT) payments totaling $1,857,926.

19. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2017, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	$ 27,428
Instruction	70,549
	97,977
Capital Projects Fund	
Capital projects	5,537,224
	$ 5,635,201

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 $153,841. The minimum remaining operating lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2018	$ 157,466
2019	67,016
2020	18,429
2021	3,625
	$ 246,536

The District leases a school building under a non-cancelable operating lease. Rental expense for the year was $364,888. The minimum remaining operating lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2018	$ 372,186
2019	31,066
	$ 403,252

20. SUBSEQUENT EVENTS

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

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 54,463,145	$ 54,570,553	$ 54,570,553	$ -
Other tax items	8,933,355	8,825,947	8,831,813	5,866
Nonproperty tax items	1,700,000	1,700,000	1,701,235	1,235
Charges for services	106,000	106,000	106,863	863
Use of money and property	275,000	275,000	320,307	45,307
Sale of property and compensation for loss	27,000	27,000	20,192	(6,808)
Miscellaneous	212,001	212,001	685,706	473,705
Total Local Sources	65,716,501	65,716,501	66,236,669	520,168
State Sources	22,025,219	22,040,219	22,067,162	26,943
Medicaid Reimbursement		60,000	244,877	184,877
Total Revenues	87,741,720	87,816,720	88,548,708	731,988
OTHER SOURCES				
Operating Transfers In	270,000	270,000	-	(270,000)
Total Revenues and Other Sources	88,011,720	88,086,720	88,548,708	$ 461,988
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	4,100,000	4,100,000		
Prior Year's Encumbrances	891,530	891,530		
Appropriated Reserves	-	300,000		
Total Appropriated Fund Balance	4,991,530	5,291,530		
Total Revenues, Other Sources and Appropriated Fund Balance	$ 93,003,250	$ 93,378,250		

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 Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	$ 80,987	$ 61,847	$ 54,445	$ 41	$ 7,361
Central administration	417,894	436,701	435,505		1,196
Finance	978,538	993,450	981,298	8,500	3,652
Staff	157,010	203,961	203,018		943
Central services	7,051,629	6,635,551	6,462,464	18,887	154,200
Special items	1,054,516	2,104,906	1,781,666		323,240
Total General Support	9,740,574	10,436,416	9,918,396	27,428	490,592
Instruction					
Administration & improvement	5,271,811	4,820,820	4,784,313	357	36,150
Teaching - regular school	31,304,099	31,008,505	30,699,605	49,145	259,755
Programs for students with disabilities	14,206,739	14,415,052	14,329,722		85,330
Occupational education	515,712	696,211	696,211		-
Teaching - special schools	143,064	119,090	119,090		-
Instructional media	1,729,137	1,453,009	1,394,540	10	58,459
Pupil services	4,166,147	4,172,813	4,081,285	21,037	70,491
Total Instruction	57,336,709	56,685,500	56,104,766	70,549	510,185
Pupil Transportation	2,525,826	2,842,327	2,808,478		33,849
Community Services	69,000	99,000	89,250		9,750
Employee Benefits	20,780,241	20,428,816	20,071,729		357,087
Debt Service					
Principal	1,630,000	1,630,000	1,630,000		-
Interest	170,900	170,900	170,900		-
Total Debt Service	1,800,900	1,800,900	1,800,900	-	-
Total Expenditures	92,253,250	92,292,959	90,793,519	97,977	1,401,463
OTHER USES					
Operating Transfers Out	750,000	1,085,291	1,085,291		-
Total Expenditures and Other Uses	$ 93,003,250	$ 93,378,250	91,878,810	$ 97,977	$ 1,401,463
Net Change in Fund Balance			(3,330,102)		
Fund Balance - Beginning of Year			10,289,460		
Fund Balance - End of Year			$ 6,959,358		

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 Funding Progress - Other Postemployment Benefits
June 30, 2017

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	$ -	$ 30,826,962	$ 30,826,962	0%	$ 43,689,158	70.6%
July 1, 2014	-	37,025,297	37,025,297	0%	46,139,281	80.2%
July 1, 2016	-	58,166,637	58,166,637	0%	52,464,604	110.9%

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

Teachers' Retirement System

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

Employees' Retirement System

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

Note to Required Supplementary Information

Teachers' Retirement System
The discount rate decreased from 8.0% to 7.5% as reflected in 2016 and 2017 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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 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	$ 2,575,343
Contributions in relation to the contractually required contribution	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	2,575,343
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$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	*~ Not Available ~*
Contributions as a percentage of covered payroll	12%	13%	18%	16%	12%	11%	9%	6%	8%	

Employees' Retirement System

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 1,029,333	$ 1,155,170	$ 1,177,300	$ 1,382,882	$ 1,213,194	$ 1,021,858	$ 692,381	$ 449,154	$ 477,748	$ 456,656
Contributions in relation to the contractually required contribution	1,029,333	1,155,170	1,177,300	1,382,882	1,213,194	1,021,858	692,381	449,154	477,748	456,656
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 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	*~ Not Available ~*
Contributions as a percentage of covered payroll	14%	16%	17%	21%	18%	15%	10%	7%	8%	

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, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$ 92,111,720
Additions:	
Prior year's encumbrances	891,530
Original Budget	93,003,250
Budget revision	375,000
Final Budget	$ 93,378,250

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget		$ 96,074,468
Maximum allowed (4% of 2017-18 budget)		$ 3,842,979
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$ 3,097,977	
Unassigned fund balance	985,222	
		$ 4,083,199
Less:		
Appropriated fund balance	3,000,000	
Encumbrances	97,977	
Total adjustments		3,097,977
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		$ 985,222
Actual Percentage		1.03%

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources -
Capital Projects Fund
For The Year Ended June 30, 2017

PROJECT TITLE	Budget June 30, 2016	Budget June 30, 2017	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, 2017
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	17,028	81,459	98,487	1,513			100,000	100,000	1,513
Park Avenue School Flooring	106,000	106,000	26,600	77,989	104,589	1,411			106,000	106,000	1,411
Carbon monoxide detectors district-wide	49,670	49,670		49,670	49,670	-			49,670	49,670	-
High School Standpipe		550,000		42,517	42,517	507,483			550,000	550,000	507,483
Kennedy School Lower Roof		100,000		16,731	16,731	83,269			100,000	100,000	83,269
SMART Schools Bond Act		304,530		304,524	304,524	6		304,530		304,530	6
High School Additions & Reconstruction		49,993,213		530,822	530,822	49,462,391	49,187,808		805,405	49,993,213	49,462,391
Edison Green Space & Reconstruction		292,544		10,122	10,122	282,422	291,636		908	292,544	282,422
JFK Additions & Reconstruction		15,370,465		184,414	184,414	15,186,051	15,370,465			15,370,465	15,186,051
King Street Additions & Reconstruction		11,619,906		139,387	139,387	11,480,519	11,619,906			11,619,906	11,480,519
Park Avenue Additions & Reconstruction		2,673,872		71,893	71,893	2,601,979	2,670,159		3,713	2,673,872	2,601,979
Unallocated	889,400	79,373	79,373		79,373	-			79,373	79,373	-
Totals	$ 1,345,070	$ 81,439,573	$ 320,822	$ 1,509,528	$ 1,830,350	$ 79,609,223	$ 79,139,974	$ 304,530	$ 1,995,069	$ 81,439,573	79,609,223
										Less unissued debt	(79,139,973)
											$ 469,250

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, 2017

Capital assets, net	$ 30,732,468
Deduct:	
Bond anticipation notes payable	(3,189,973)
Less: Unspent BAN proceeds	3,063,593
Short-term portion of bonds payable	(1,645,000)
Long-term portion of bonds payable	(9,275,000)
	(11,046,380)
Net investment in capital assets	$ 19,686,088

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, 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 26, 2017.

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 26, 2017.

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 26, 2017