

PORT CHESTER - RYE
UNION FREE SCHOOL DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2015

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis (MD&A)	3
Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Net Position – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	22
Notes to Financial Statements	23
Required Supplementary Information other than MD&A:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	50
Schedule of Funding Progress – Other Postemployment Benefits	52
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability	53
Schedule of District Contributions	54
Other Supplementary Information:	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund	55
Schedule of Project Expenditures – Capital Projects Fund	56
Net Investment in Capital Assets	57
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*	58

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Port Chester - Rye Union Free School District (District), as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68,* as of June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, 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 contributions on pages 3 through 14 and 50 through 54, 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 55 through 57 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 28, 2015 on our consideration of the Port Chester - Rye Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 28, 2015

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, 2015 in comparison with the year ended June 30, 2014, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

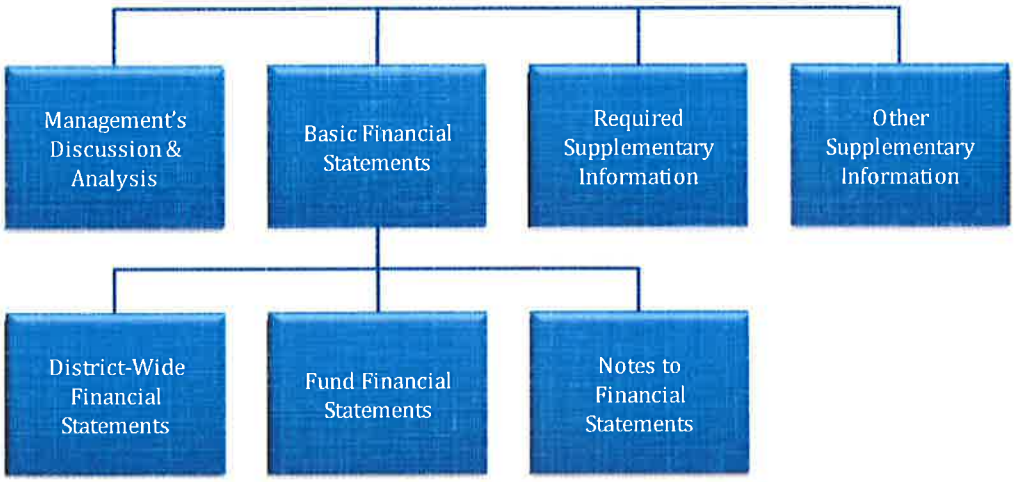
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2015 are as follows:

- The District's total net position, as reflected in the district-wide financial statement is $32,389,863, an increase of $6,655,835 over the prior year.
- The District's total net position at June 30, 2014 was restated and increased by $6,716,729 as a result of the required implementation of the new GASB accounting standards during the 2015 fiscal year. These new GASB accounting standards have no impact on the governmental funds financial statements.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled $83,571,391. Of this amount, $5,610,802 was offset by program charges for services and operating grants. General revenues of $84,616,424 amount to 94% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund's total fund balance decreased by $707,343 to $11,378,430.
- On the Balance Sheet, the general fund's unassigned fund balance at year end was $2,708,710, a decrease of $803,513 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.
- On April 29, 2015, the District refunded $5,230,000 of its outstanding general obligation debt with an interest rate of 4.25%. The new refunding bonds bear interest at rates of 2.0% - 4.0%. The issuance of the new debt of $5,195,000 results in a net economic benefit to the District of approximately $549,100.
- The budget for the 2015-16 school year in the amount of $91,718,860 was approved by the voters on May 19, 2015.
- The District's 2015 property tax levy of $60,573,724 was a 3.89% increase over the 2014 tax levy. The District's property tax cap was 3.89%.

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 Balance 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 lunch 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 increased by $6,655,835 between fiscal year 2015 and 2014. A summary of the District's Statements of Net Position follows. The June 30, 2014 net position has been increased by $6,716,729 resulting from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68.* Additionally, the June 30, 2014 balances reflect net pension assets and liabilities and deferred outflows of resources in accordance with the new GASB statements.

	2015	As Restated 2014	Increase (Decrease)	Percentage Change
Current and Other Assets	$ 23,683,144	$ 25,538,026	$ (1,854,882)	(7.26)%
Capital Assets, Net	30,289,059	32,457,957	(2,168,898)	(6.68)%
Net Pension Asset - Proportionate Share	27,507,425	1,597,673	25,909,752	1621.72 %
Total Assets	81,479,628	59,593,656	21,885,972	36.73 %
Deferred Outflows of Resources	7,494,047	6,395,017	1,099,030	17.19 %
Current and Other Liabilities	9,218,580	10,030,076	(811,496)	(8.09)%
Long-Term Liabilities	19,179,354	22,257,790	(3,078,436)	(13.83)%
Net Other Postemployment Benefits Obligation	8,359,633	6,799,568	1,560,065	22.94 %
Net Pension Liability Proportionate Share	872,593	1,167,211	(294,618)	(25.24)%
Total Liabilities	37,630,160	40,254,645	(2,624,485)	(6.52)%
Deferred Inflows of Resources	18,953,652		18,953,652	100.00 %
Net Position				
Net Investment in Capital Assets	13,957,456	12,637,957	1,319,499	10.44 %
Restricted	5,234,439	6,473,546	(1,239,107)	(19.14)%
Unrestricted	13,197,968	6,622,525	6,575,443	99.29 %
Total Net Position	$ 32,389,863	$ 25,734,028	$ 6,655,835	25.86 %

Current and other assets decreased by $1,854,882. This was primarily the result of a $1,239,107 decrease in the District's restricted cash position and a $740,768 decrease in amounts due from other governments.

Capital assets, net decreased during the year by $2,168,898. Depreciation expense in the amount of $2,681,024 was offset by capital additions totaling $512,126.

Net pension asset – proportionate share increased by $25,909,752, 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 June 30, 2014, the measurement date.

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

Current and other liabilities decreased $811,496 as compared to the prior year. The decrease is primarily due to a decrease in accounts payable of $1,445,118 net of an increase in amounts due to the teachers' retirement system of $731,259, due to an increase in contribution rates.

Long-term liabilities decreased by $3,078,436, principally due to the repayment of serial bond principal.

Net other postemployment benefits (OPEB) obligation increased by $1,560,065, 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 Benefits", provides additional information.

Net pension liability – proportionate share decreased by $294,618 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at March 31, 2015, the measurement date.

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	$ 512,126
Principal debt reduction of construction bonds	3,615,000
Depreciation expense	(2,681,024)
Amortization of deferred amounts from bond refunding	(126,603)
	$ 1,319,499

The restricted amount of $5,234,439 relates to the District's reserves and other restricted amounts. This number decreased $1,239,107. The District utilized restricted net assets of $648,982 and $500,000 for debt service payments and retirement expenses, respectively.

The unrestricted amount of $13,197,968 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 increased over the prior year by $6,575,443, 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, 2015 and 2014 is as follows:

	2015	2014	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	$ 420,957	$ 456,009	$ (35,052)	(7.69)%
Operating Grants	5,189,845	5,379,816	(189,971)	(3.53)%
General Revenues				
Property Taxes and STAR	60,573,723	58,303,592	2,270,131	3.89 %
State Sources	19,322,527	17,431,830	1,890,697	10.85 %
Other	4,720,174	6,732,805	(2,012,631)	(29.89)%
Total Revenues	90,227,226	88,304,052	1,923,174	2.18 %
Expenses				
General Support	10,120,557	9,920,270	200,287	2.02 %
Instruction	68,873,288	71,860,536	(2,987,248)	(4.16)%
Pupil Transportation	2,439,202	3,013,099	(573,897)	(19.05)%
Community Services	27,326		27,326	100.00 %
Debt Service - Interest	383,176	589,352	(206,176)	(34.98)%
Food Service Program	1,727,842	1,657,590	70,252	4.24 %
Total Expenses	83,571,391	87,040,847	(3,469,456)	(3.99)%
Increase in Net Position	$ 6,655,835	$ 1,263,205	$ 5,392,630	426.90 %

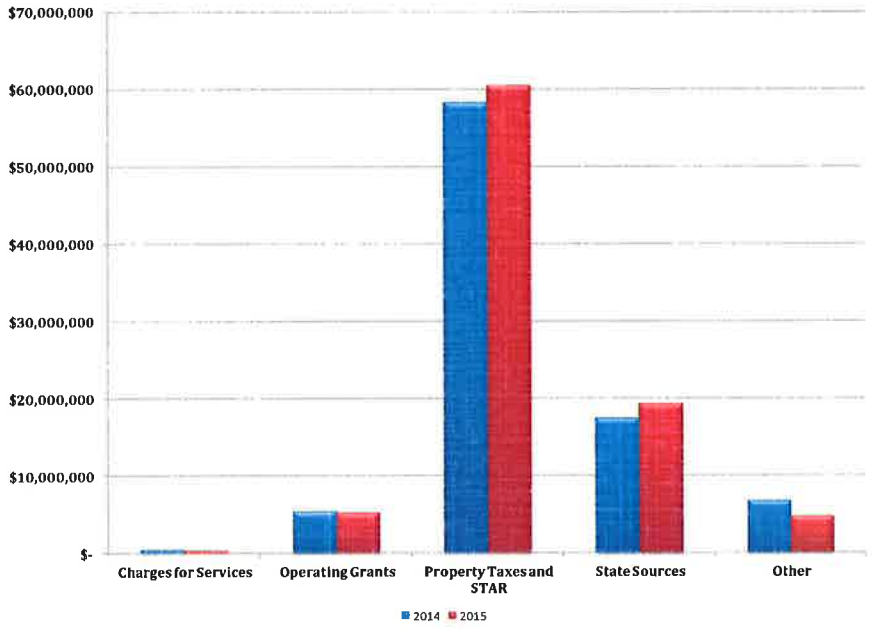
The change in net position represents the District's operating profit or loss on the accrual basis of accounting. For the year ended June 30, 2015, the profit was $6,655,835, compared to a profit of $1,263,205 in the prior year. Revenues increased by 2.18% while expenses decreased by 3.99%.

The District's revenues increased by $1,923,174, as increases in property taxes and STAR and state sources, in the amount of $4,160,828 were offset by a decrease in other revenues of $2,012,631 primarily as a result of an expiring PILOT agreement.

The District's expenses for the year decreased by $3,469,456 or 3.99%. The major contributing factor to this decrease was a decrease in pension expense as a result of the implementation of GASB 68 and 71, which reduced expenses $8,148,790. The 2014 summary of changes in net position was not restated as information regarding the changes from 2013 was not available from the retirement systems.

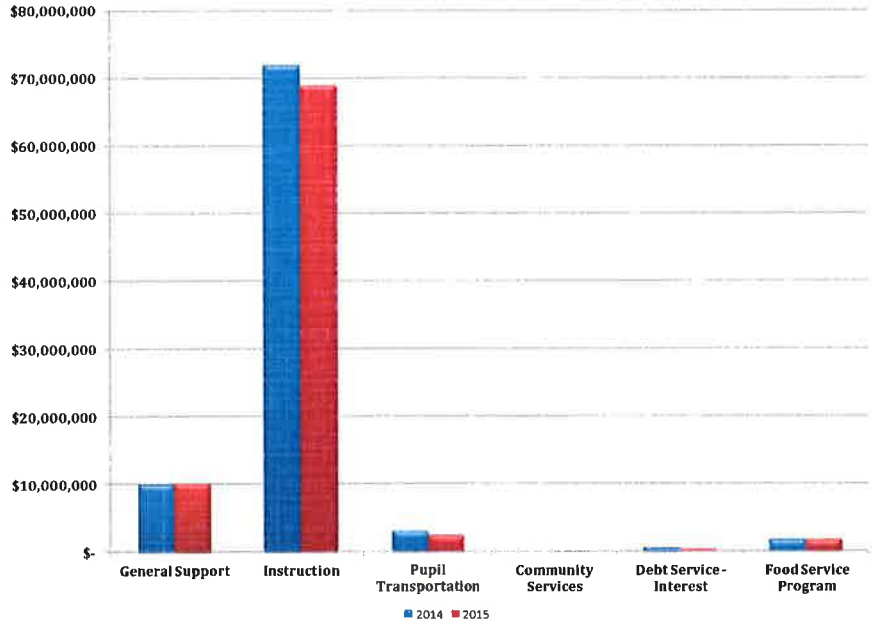
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 67.1% and 66.0% of the total for the years ended June 30, 2015 and 2014, respectively). Instruction expense is the largest category of expenses incurred (i.e., 82.4% and 82.5% of the total for the years ended June 30, 2015 and 2014, respectively).

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



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2014	0.5%	6.1%	66.0%	19.7%	7.7%
2015	0.5%	5.8%	67.1%	21.4%	5.2%

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
2014	11.4%	82.5%	3.5%	0.0%	0.7%	1.9%
2015	12.1%	82.4%	2.9%	0.0%	0.5%	2.1%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2015, the District's governmental funds reported a combined fund balance of $13,759,729, which is a decrease of $1,410,885 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:

	2015	2014	Increase (Decrease)
General Fund			
Nonspendable: Prepaids	$	$ 19,935	$ (19,935)
Restricted:			
Retirement contribution	2,365,998	2,855,552	(489,554)
Tax certiorari	1,012,325	1,008,635	3,690
Employee benefit accrued liability	986,116	1,090,377	(104,261)
Assigned:			
Appropriated fund balance	3,600,000	3,000,000	600,000
Unappropriated fund balance	705,281	599,051	106,230
Unassigned: Fund balance	2,708,710	3,512,223	(803,513)
	11,378,430	12,085,773	(707,343)
School Lunch Fund			
Nonspendable: Inventory	14,308	12,275	2,033
Assigned: Unappropriated fund balance	591,959	654,192	(62,233)
	606,267	666,467	(60,200)
Debt Service Fund			
Restricted: Debt service	870,000	1,518,982	(648,982)
Capital Projects Fund			
Assigned: Unappropriated fund balance	905,032	899,392	5,640
Total Fund Balance	$ 13,759,729	$ 15,170,614	$ (1,410,885)

A. General Fund

The net change in the general fund – fund balance is a decrease of $707,343. General fund expenditures and other financing uses of $85,748,792 exceeded revenues and other financing sources of $85,041,449.

B. School Lunch Fund

The net change in the school lunch fund – fund balance was a decrease of $60,200, which was the current year operating loss. In the prior year, the profit was $85,480. The school lunch fund experienced an increase in expenditures paid to the food service management company of $136,089 as a result of contract rate increases.

C. Debt Service Fund

The net change in debt service fund – fund balance was a decrease of $648,982, which was the current year's operating transfer to the general fund to offset bond principal and interest payments.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance was an increase of $5,640. A transfer from the general fund of $100,000 was offset by expenditures during the year on capital projects amounting to $94,360.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2014-15 Budget

The District's general fund adopted budget for the year ended June 30, 2015, was $88,420,278. This amount was increased by encumbrances carried forward from the prior year in the amount of $599,051, and budget revisions in the amount of $340,686 for a total final budget of $89,360,015.

The budget was funded through a combination of revenues and appropriated fund balance. The majority of this funding source was $60,573,723 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, encumbrances and amounts classified as nonspendable. 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	$ 3,512,223
Revenues Under Budget	(111,265)
Expenditures and Encumbrances Under Budget	2,905,942
Allocation to Reserves	(18,125)
Net Change in Nonspendable Fund Balance	19,935
Appropriated to Fund the June 30, 2016 Budget	(3,600,000)
Closing Unassigned Fund Balance	$ 2,708,710

Opening, Unassigned Fund Balance

The $3,512,223 shown in the table is the portion of the District's June 30, 2014 fund balance that was retained as unassigned. This was 3.97% of the District's 2014-15 approved operating budget of $88,420,278. It was within the maximum 4% unassigned fund balance permitted by law.

Revenues Under Budget

The District's 2014-15 final budget for revenues was $85,152,714. Actual revenues received for the year were $85,041,449. The shortfall of actual revenues compared to budgeted revenues was $111,265 and contributes directly to the change to the general fund unassigned fund balance from June 30, 2014 to June 30, 2015.

Expenditures and Encumbrances Under Budget

The 2014-15 final budget for expenditures, including prior year open encumbrances and budget revisions as of June 30, 2014, was $89,360,015. Actual expenditures as of June 30, 2015 were $85,748,792 and outstanding encumbrances were $705,281. Combined, the expenditures plus encumbrances for 2014-15 were $86,454,073. The final budget was under expended by $2,905,942. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2014 to June 30, 2015.

Allocation to Reserves

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

The $(18,125) shown in the table above represents interest earned by the reserves.

Net Change in Nonspendable Fund Balance

The District prepaid various insurance premiums at June 30, 2015. The resulting balance sheet asset (prepaids) cannot be spent because it is not in spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as nonspendable. The decrease in nonspendable fund balance increases unassigned fund balance.

Appropriated Fund Balance

The District has chosen to use $3,600,000 of its available June 30, 2015 unassigned fund balance to partially fund its 2015-16 approved operating budget. As such, the June 30, 2015 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, 2015 was $2,708,710. This amount equals 2.95% of the 2015-16 budget and is within the 4% statutory limit.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2015, 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 depreciation of $2,681,024 in excess of capital additions of $512,126 recorded for the year ended June 30, 2015. A summary of the District's capital assets, net of depreciation at June 30, 2015 and 2014, is as follows:

	2015	2014	Increase (Decrease)
Land	$ 911,250	$ 911,250	$ -
Construction in progress	713,922	619,562	94,360
Buildings and improvements	26,647,233	28,914,051	(2,266,818)
Site improvements	360,922	419,670	(58,748)
Vehicles	94,792	78,190	16,602
Furniture and equipment	1,560,940	1,515,234	45,706
Capital assets, net	$ 30,289,059	$ 32,457,957	$ (2,168,898)

B. Debt Administration

At June 30, 2015, the District had total bonds payable of $16,205,000. 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. Additionally, during the current year, the District advance refunded $5,230,000 of serial bonds by issuing $5,195,000 of refunding bonds. See Notes to Financial Statements, Note 12 "Long-Term Liabilities" for additional information. A summary of the outstanding debt at June 30, 2015 and 2014 is as follows:

Issue Date	Interest Rate	2015	2014	Increase (Decrease)
2001	3.64%	$ 275,000	$ 535,000	$ (260,000)
2006	3.53%	520,000	6,250,000	(5,730,000)
2006	4.25%	1,655,000	3,235,000	(1,580,000)
2007	0.00%	8,600,000	9,800,000	(1,200,000)
2015	3.00%	5,155,000		5,155,000
		$ 16,205,000	$ 19,820,000	$ (3,615,000)

Included in the District's long-term liabilities are the estimated amounts for compensated absences and net other post employment benefits obligation. The compensated absences liability of $2,574,292 is based on employment contracts. The net other post employment benefits obligation is based on the actuarially determined amount in accordance with GASB Statement No. 45 in the amount of $8,359,633.

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, 2015 are approximately 6.25% 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 19, 2015, for the year ending June 30, 2016, is $91,718,860. This is an increase of $3,298,582 or 3.73% over the previous year's budget. The increase is principally in employee benefits.

The District budgeted revenues other than property taxes and STAR at a $2,064,727 increase over the prior year's estimate. This increase is principally due to an estimated increase in state aid. Additionally, the assigned, appropriated fund balance of $3,600,000 and reserves of $500,000 applied to the June 30, 2016 budget are a $600,000 increase over the previous year. A property tax levy increase of 1.05% 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 tax levy cap for 2015-16 is 1.05%. The District's 1.05% increase in the 2015-16 levy is compliant with the tax cap.

D. Property Tax Freeze

Last year, New York State enacted a law to effectively "freeze" property taxes for two years on the primary residences of homeowners with annual incomes at or below $500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The law was effective for school districts starting with the 2014-15 school year and qualifying homeowners received refund checks in the fall of 2014. This program provides an incentive for the District to be tax cap compliant. The District submitted an efficiency plan which is currently under review by the state.

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, 2015

ASSETS	
Cash	
Unrestricted	$ 13,486,844
Restricted	5,234,439
Receivables	
Accounts receivable	33,012
Due from fiduciary funds	181,730
Due from state and federal	2,933,223
Due from other governments	1,799,588
Inventories	14,308
Capital assets:	
Not being depreciated	1,625,172
Being depreciated, net of accumulated depreciation	28,663,887
Net pension asset - proportionate share	27,507,425
Total Assets	81,479,628
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on advanced bond refunding	309,708
Pensions	7,184,339
Total Deferred Outflows of Resources	7,494,047
LIABILITIES	
Payables	
Accounts payable	1,224,098
Accrued liabilities	227,585
Due to fiduciary funds	2,344
Due to other governments	411
Due to teachers' retirement system	7,032,622
Due to employees' retirement system	337,625
Unearned credits	
Collections in advance	393,895
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	3,717,280
Compensated absences payable	175,000
Due and payable after one year	
Bonds payable, net	12,887,782
Compensated absences payable	2,399,292
Net other postemployment benefits obligation	8,359,633
Net pension liability - proportionate share	872,593
Total Liabilities	37,630,160
DEFERRED INFLOWS OF RESOURCES	
Pensions	18,953,652
NET POSITION	
Net investment in capital assets	13,957,456
Restricted	
Retirement contribution	2,365,998
Tax certiorari	1,012,325
Employee benefit accrued liability	986,116
Debt service	870,000
	5,234,439
Unrestricted	13,197,968
Total Net Position	$ 32,389,863

See Notes to Financial Statements

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2015

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General support	$ 10,120,557	$	$	$ (10,120,557)
Instruction	68,873,288	141,254	3,803,506	(64,928,528)
Pupil transportation	2,439,202			(2,439,202)
Community services	27,326			(27,326)
Debt service - interest	383,176			(383,176)
Food service program	1,727,842	279,703	1,386,339	(61,800)
Total Functions and Programs	$ 83,571,391	$ 420,957	$ 5,189,845	(77,960,589)
GENERAL REVENUES				
Real property taxes				53,927,271
Other tax items				8,440,181
Nonproperty taxes				1,648,613
Use of money and property				374,209
Sale of property and compensation for loss				45,238
Miscellaneous				798,439
State sources				19,322,527
Medicaid reimbursement				59,946
Total General Revenues				84,616,424
Change in Total Net Position				6,655,835
Total Net Position - Beginning of Year, as Restated				25,734,028
Total Net Position - End of Year				$ 32,389,863

See Notes to Financial Statements

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2015

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$ 12,128,880	$ 1,191,142	$ 127,213	$	$ 39,609	$ 13,486,844
Restricted	5,234,439					5,234,439
Receivables						
Accounts receivable	11,870	2,386	18,756			33,012
Due from other funds	4,257,078		481,162	2,307,811	3,173,234	10,219,285
Due from state and federal	1,071,207	1,753,305	108,711			2,933,223
Due from other governments	1,795,105	4,483				1,799,588
Inventories			14,308			14,308
Total Assets	$ 24,498,579	$ 2,951,316	$ 750,150	$ 2,307,811	$ 3,212,843	$ 33,720,699
LIABILITIES						
Payables						
Accounts payable	$ 1,025,246	$ 58,405	$ 140,447	$	$	$ 1,224,098
Accrued liabilities	212,415					212,415
Due to other funds	3,491,221	2,800,031	3,025	1,437,811	2,307,811	10,039,899
Due to other governments			411			411
Due to teachers' retirement system	7,032,622					7,032,622
Due to employees' retirement system	337,625					337,625
Unearned credits						
Collections in advance	301,015	92,880				393,895
Total Liabilities	12,400,144	2,951,316	143,883	1,437,811	2,307,811	19,240,965
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	720,005					720,005
Total Deferred Inflows of Resources	720,005	-	-	-	-	720,005
FUND BALANCES						
Nonspendable: Inventories			14,308			14,308
Restricted:						
Retirement contribution	2,365,998					2,365,998
Tax certiorari	1,012,325					1,012,325
Employee benefit accrued liability	986,116					986,116
Debt service				870,000		870,000
Assigned:						
Appropriated fund balance	3,600,000					3,600,000
Unappropriated fund balance	705,281		591,959		905,032	2,202,272
Unassigned: Fund balance	2,708,710					2,708,710
Total Fund Balances	11,378,430	-	606,267	870,000	905,032	13,759,729
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 24,498,579	$ 2,951,316	$ 750,150	$ 2,307,811	$ 3,212,843	$ 33,720,699

See Notes to Financial Statements

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total Governmental Fund Balances		$ 13,759,729
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	$ 998,458	
Less: accumulated amortization	(688,750)	
		309,708
The cost 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	67,454,276	
Accumulated depreciation	(37,165,217)	
		30,289,059
Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.		
Net pension asset - teachers' retirement system	27,507,425	
Deferred outflows of resources	7,184,339	
Net pension liability - employees' retirement system	(872,593)	
Deferred inflows of resources	(18,953,652)	
		14,865,519
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	(15,170)	
Bonds payable	(16,605,062)	
Compensated absences payable	(2,574,292)	
Net other postemployment benefits obligation	(8,359,633)	
		(27,554,157)
Total Net Position		$ 32,389,863

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2015

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$ 53,927,271	$	$	$	$	$ 53,927,271
Other tax items	8,440,181					8,440,181
Nonproperty taxes	1,648,613					1,648,613
Charges for services	141,254					141,254
Use of money and property	374,081		128			374,209
Sale of property and compensation for loss	45,238					45,238
Miscellaneous	798,439	207,420	8,938			1,014,797
State sources	18,957,444	944,744	43,047			19,945,235
Medicaid reimbursement	59,946					59,946
Federal sources		2,651,342	1,247,327			3,898,669
Surplus food			95,965			95,965
Sales - school lunch			270,765			270,765
Total Revenues	84,392,467	3,803,506	1,666,170	-	-	89,862,143
EXPENDITURES						
General support	8,960,667			111,399		9,072,066
Instruction	50,183,711	3,855,894				54,039,605
Pupil transportation	2,358,919	80,283				2,439,202
Community services	21,096					21,096
Employee benefits	20,078,841					20,078,841
Debt service						
Principal	3,580,000					3,580,000
Interest	332,887					332,887
Cost of sales			1,726,370			1,726,370
Capital outlay					94,360	94,360
Total Expenditures	85,516,121	3,936,177	1,726,370	111,399	94,360	91,384,427
Deficiency of Revenues Over Expenditures	(1,123,654)	(132,671)	(60,200)	(111,399)	(94,360)	(1,522,284)
OTHER FINANCING SOURCES AND (USES)						
Proceeds of obligation				5,195,000		5,195,000
Premium on obligation				462,615		462,615
Payment to escrow agent				(5,546,216)		(5,546,216)
Operating transfers in	648,982	132,671			100,000	881,653
Operating transfers (out)	(232,671)			(648,982)		(881,653)
Total Other Financing Sources and (Uses)	416,311	132,671	-	(537,583)	100,000	111,399
Net Change in Fund Balances	(707,343)	-	(60,200)	(648,982)	5,640	(1,410,885)
Fund Balances - Beginning of Year	12,085,773		666,467	1,518,982	899,392	15,170,614
End of Year	$ 11,378,430	$ -	$ 606,267	$ 870,000	$ 905,032	$ 13,759,729

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, 2015

Net Change in Fund Balances		$ (1,410,885)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).		
Increase in unavailable revenue in the governmental funds	$ 365,083	
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	(136,502)	
Increase in net other postemployment benefits obligation	(1,560,065)	
		(1,331,484)
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 depreciation exceeded capital outlays in the period.		
Capital outlays	512,126	
Depreciation expense	(2,681,024)	
		(2,168,898)
Long-Term Debt Transactions Differences		
Proceeds and premiums from the issuance of bonds are other funding sources in the governmental funds, but they increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.	(5,657,615)	
Payment to escrow agent 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.	5,546,216	
In the Statement of Activities, the amortization of deferred charges on refinancing bonds exceeded the amortization of premiums.	(52,705)	
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.	3,580,000	
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 decreased from June 30, 2014 to June 30, 2015.	2,416	
		3,418,312
Pension Differences		
The decrease 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	7,748,130	
Employees' retirement system	400,660	
		8,148,790
Change in Total Net Position of Governmental Activities		$ 6,655,835

See Notes to Financial Statements

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2015

	Agency	Private Purpose Trust
ASSETS		
Cash	$ 295,953	$ 223,565
Accounts receivable	1,919	
Due from other funds	2,344	
Total Assets	$ 300,216	223,565
LIABILITIES		
Extraclassroom activity balances	$ 92,757	
Due to other funds	181,730	
Other liabilities	25,729	
Total Liabilities	$ 300,216	-
NET POSITION		
Restricted for scholarships		$ 223,565

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, 2015

	Private Purpose Trust
ADDITIONS	
Contributions	$ 12,500
Investment earnings	
Interest	2,407
Total Additions	14,907
DEDUCTIONS	
Scholarships and awards	18,400
Change in Net Position	(3,493)
Net Position - Beginning of Year	227,058
Net Position - End of Year	$ 223,565

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 the capital grants column reflects 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, contributions, and other revenues 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 Lunch 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. There are two classes of 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, 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 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, compensated absences, other postemployment benefits, and pension costs, which are recognized as expenditures to the extent they have matured. General 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses 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 lunch 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 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 estimated fair market 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/expenditure) until that time. The District has four items that qualify for reporting in this category. First is the unamortized amount of deferred charges from a prior year's refunding of bonds that is being amortized as a component of interest expense on a straight-line basis through June 30, 2016. The second 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 third item is related to pensions and represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The fourth 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 period(s) 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. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments.

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

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.

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 inventories.

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may be legally be appropriated. The reserve is accounted for in the general fund.

Tax Certiorari Reserve

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

Employee Benefit Accrued Liability Reserve

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

Restricted for Debt Service

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

Restricted for Scholarships

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

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

Unassigned – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned. 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

GASB Statements No. 68 and 71

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The implementation of the Statements requires the District to report as an asset and/or liability its portion of the collective net pension asset and/or liability in the New York State Teachers' and Employees' Retirement Systems. The implementation of the Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as deferred outflows, are the District's contributions to the pension systems subsequent to the measurement date.

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.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one 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 changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

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 adopted at the program line item level.

Appropriations established by the adoption of the budget 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	
Microsoft settlement revenues	$ 232,436
Appropriated restricted fund balance:	
Employee benefit accrued liability reserve	108,250
	$ 340,686

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.

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 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, 2015 are $181,672,565, which consisted of $95,649,741 in collateralized bank deposits, $29,509,522 in repurchase agreements collateralized by a U.S. Government Agency Security, $33,020,819 in U.S. Treasury Securities, $14,992,483 in U.S. Treasury Bills, and an $8,500,000 certificate of deposit.

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

Fund	Carrying Amount
General fund	$ 1,719,394
Special aid fund	613,421
School lunch fund	127,213
Capital projects fund	24,147
	$ 2,484,175

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. 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, 2015, the District was billed $6,632,993 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $1,202,013. 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, 2015, consisted of:

General Fund	
New York State - general aid	$ 1,006
New York State - excess cost aid	741,833
New York State - building aid	306,080
New York State - transportation aid	22,288
	1,071,207
Special Aid Fund	
Federal and state grants	1,753,305
School Lunch Fund	
Federal and state food service program reimbursements	108,711
	$ 2,933,223

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2015, consisted of:

General Fund	
BOCES aid	$ 1,208,845
PILOT payments	52,115
Sales tax revenue due from county	417,118
Program revenue due from other districts	117,027
	1,795,105
Special Aid Fund	
Program revenue due from other districts	4,483
	$ 1,799,588

9. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Governmental activities				
Capital assets not being depreciated				
Land	$ 911,250	$	$	$ 911,250
Construction in progress	619,562	94,360		713,922
Total capital assets not being depreciated	1,530,812	94,360	-	1,625,172
Capital assets being depreciated				
Buildings and improvements	59,278,267			59,278,267
Site improvements	1,349,838			1,349,838
Vehicles	403,427	35,416		438,843
Furniture and equipment	4,886,732	382,350	(506,926)	4,762,156
Total capital assets being depreciated	65,918,264	417,766	(506,926)	65,829,104
Less accumulated depreciation for:				
Buildings and improvements	30,364,216	2,266,818		32,631,034
Site improvements	930,168	58,748		988,916
Vehicles	325,237	18,814		344,051
Furniture and equipment	3,371,498	336,644	(506,926)	3,201,216
Total accumulated depreciation	34,991,119	2,681,024	(506,926)	37,165,217
Total capital assets, being depreciated, net	30,927,145	(2,263,258)	-	28,663,887
Capital assets, net	$ 32,457,957	$ (2,168,898)	$ -	$ 30,289,059

Depreciation expense was allocated to governmental functions as follows:

General support	$ 34,974
Instruction	2,602,232
Food service program	43,818
Total depreciation expense	$ 2,681,024

10. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2015, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	$ 4,257,078	$ 3,491,221	$ 648,982	$ 232,671
Special Aid Fund		2,800,031	132,671	
School Lunch Fund	481,162	3,025		
Debt Service Fund	2,307,811	1,437,811		648,982
Capital Projects Fund	3,173,234	2,307,811	100,000	
Total Governmental Funds	10,219,285	10,039,899	881,653	881,653
Fiduciary Funds	2,344	181,730		
Total	$ 10,221,629	$ 10,221,629	$ 881,653	$ 881,653

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities and the state supported Section 4201 schools and the capital projects fund in accordance with the general fund budget. The transfer from the debt service fund to the general fund was to provide funding for debt service expenditures.

11. SHORT-TERM DEBT

During the year ended June 30, 2015, the District did not issue any short-term debt.

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, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 19,820,000	$ 5,195,000	$ (8,810,000)	$ 16,205,000	$ 3,655,000
Add: Premium on refunding		462,615	(62,553)	400,062	62,280
	19,820,000	5,657,615	(8,872,553)	16,605,062	3,717,280
Other long-term liabilities					
Compensated absences	2,437,790	244,752	(108,250)	2,574,292	175,000
	$ 22,257,790	$ 5,902,367	$ (8,980,803)	$ 19,179,354	$ 3,892,280

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, 2015
Serial Bonds	2001	2016	3.64%	$ 275,000
Serial Bonds - Refunded	2006	2026	3.53%	520,000
Serial Bonds - Refunded	2006	2016	4.25%	1,655,000
Serial Bonds - QZAB	2007	2022	0.00%	8,600,000
Refunding Bonds	2015	2026	3.00%	5,155,000
				$ 16,205,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	$ 3,655,000	$ 267,538	$ 3,922,538
2017	1,630,000	170,900	1,800,900
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 - 2025	5,330,000	291,400	5,621,400
2026	595,000	11,900	606,900
Total	$ 16,205,000	$ 1,148,638	$ 17,353,638

C. Advance Refunding

On April 29, 2015, the District issued $5,195,000 in general obligation bonds with an average interest rate of 3.00% to advance refund $5,230,000 of outstanding serial bonds with an average interest rate of 4.25%. The net proceeds of $5,546,216 (including a premium of $462,615, and after payment of $111,399 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately $549,100. The outstanding principal balance of the defeased bonds is $5,230,000 at June 30, 2015.

In the district-wide statements, the District is amortizing deferred charges and refunding bond premiums as a component of interest expense for the 2006 advanced bond refunding on a straight line basis and for the April 2015 advanced bond refunding on a weighted average basis as follows:

Fiscal Year Ending June 30,	Amortization of Deferred Charges	Amortization of Premium	Total
2016	$ 78,821	$ (62,280)	$ 16,541
2017	40,774	(59,651)	(18,877)
2018	37,159	(54,363)	(17,204)
2019	33,400	(48,863)	(15,463)
2020	29,475	(43,122)	(13,647)
2021 - 2025	82,787	(121,116)	(38,329)
2026	7,291	(10,667)	(3,376)
Total	$ 309,707	$ (400,062)	$ (90,355)

D. Interest Expense

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

Interest paid	$ 332,887
Less interest accrued in the prior year	(17,586)
Plus interest accrued in the current year	15,170
Plus amortization of amounts on refundings	52,705
Total interest expense on long-term debt	$ 383,176

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 sole trustee and administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. Once a public employer elects to participate in 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 on the NYS Comptroller website 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 salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the fiscal year ended June 30. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS' fiscal year ending March 31.

The District's share of the required contributions, based on each year's covered payroll, for the current year and two preceding years was:

Year	TRS	ERS
2015	$ 6,667,222	$ 1,177,300
2014	5,885,354	1,382,882
2013	4,210,149	1,213,194

The District contributions made to the systems were equal to 100% of the contributions required for each year.

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

At June 30, 2015, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2014, for TRS and March 31, 2015 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the

Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Actuarial valuation date	June 30, 2013	April 1, 2014
Net pension asset/(liability)	$ 27,507,425	$ (872,593)
District's portion of the Plan's total net pension asset/(liability)	0.2469390%	0.0258298%

For the year ended June 30, 2015, the District recognized pension expense (credit) of $(1,080,907) for TRS and $776,639 for ERS. At June 30, 2015, 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	$	$ 27,933	$ 402,246	$
Net difference between projected and actual earnings on pension plan investments		151,558	18,474,226	
Changes in proportion and differences between the District's contributions and proportionate share of contributions			24,912	52,268
District's contributions subsequent to the measurement date	6,667,223	337,625		
Total	$ 6,667,223	$ 517,116	$ 18,901,384	$ 52,268

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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
2016	$ (4,668,226)	$ 31,806
2017	(4,668,226)	31,806
2018	(4,668,226)	31,806
2019	(4,668,226)	31,805
2020	(49,670)	
Thereafter	(178,810)	
	$ (18,901,384)	$ 127,223

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, 2014	March 31, 2015
Actuarial valuation date	June 30, 2013	April 1, 2014
Interest rate	8.0%	7.5%
Salary scale	4.01-10.91%	4.9%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2005 - March 31, 2010 System's Experience
Inflation rate	3.0%	2.7%

For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA. For ERS, annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. For ERS, the actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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, 2014		March 31, 2015
Asset type				
Domestic equity	37.0%	7.30%	38.0%	7.30%
International equity	18.0%	8.50%	13.0%	8.55%
Real estate	10.0%	5.00%	8.0%	8.25%
Alternative investments	7.0%	11.00%	19.0%	6.75-11.00%
Domestic fixed income securities	18.0%	1.50%		
Global fixed income securities	2.0%	1.40%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term		0.80%		
Cash			2.0%	2.25%
Inflation indexed bonds			2.0%	4.00%
	100.0%		100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 8.0% for TRS and 7.5% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension 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 8.0% for TRS and 7.5% 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 (7.0% for TRS and 6.5% for ERS) or 1 percentage point higher (9.0% for TRS and 8.5% for ERS) than the current rate:

TRS	1% Decrease (7.00)%	Current Assumption (8.00)%	1% Increase (9.00)%
District's proportionate share of the net pension asset (liability)	$ 593,374	$ 27,507,425	$ 50,441,936

ERS	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
District's proportionate share of the net pension asset (liability)	$ (5,816,210)	$ (872,593)	$ 3,301,046

Pension Plan Fiduciary Net Position

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

	TRS	ERS	Total
		(Dollars in Thousands)	
Measurement date	June 30, 2014	March 31, 2015	
Employers' total pension liability	$ (97,015,707)	$ (164,591,504)	$ (261,607,211)
Plan fiduciary net position	108,155,083	161,213,259	269,368,342
Employers' net pension asset/(liability)	$ 11,139,376	$ (3,378,245)	$ 7,761,131
Ratio of plan fiduciary net position to the employers' total pension liability	111.48%	97.95%	102.97%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2015, are paid to the System in September, October and November 2015 through a state aid intercept. Accrued retirement contributions as of June 30, 2015, represent employer and employee contributions for the fiscal year ended June 30, 2015, based on paid TRS 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, 2015 amounted to $6,667,222 of employer contributions and $365,400 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, 2015, represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to $337,625 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 termination payments based on collectively bargained agreements. For the year ended June 30, 2015, there were no employer non-elective contributions and employee elective contributions were $1,877,520.

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, 2015 totaled $73,800.

15. POSTEMPLOYMENT 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, 2015, the District recognized a general fund expenditure of $1,339,501 for insurance premiums for 279 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)	$ 2,173,644
Interest on net OPEB obligation	339,978
Adjustment to ARC	385,944
Annual OPEB cost (expense)	2,899,566
Contributions made	(1,339,501)
Increase in net OPEB obligation	1,560,065
Net OPEB obligation - beginning of year	6,799,568
Net OPEB obligation - end of year	$ 8,359,633

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, 2015 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, 2015	$ 2,899,566	46.2%	$ 8,359,633
June 30, 2014	2,405,571	48.0%	6,799,568
June 30, 2013	2,289,513	48.2%	5,548,511

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $37,025,297 and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $37,025,297. The covered payroll (annual payroll of active employees covered by the plan) was $46,139,281, and the ratio of the UAAL to the covered payroll was 80.2%.

Actuarial valuations of an ongoing plan involved 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, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5% 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, 2015, is $20,056,747 which includes IBNR. Of this total liability, $1,068,557 is associated with the District. The Plan has assets of $23,019,313 available as of June 30, 2015, to pay these liabilities. During the year ended June 30, 2015, the District's contribution to the Plan was approximately $350,214.

The Plan has issued financial statements for the year ended June 30, 2015, 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. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate $500,000 from the retirement contribution reserve, which is reported in the June 30, 2015 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2016.

18. ASSIGNED APPROPRIATED FUND BALANCE

The amount of $3,600,000 has been appropriated to reduce taxes for the year ending June 30, 2016.

19. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the District implemented GASB Statements No. 68 and 71. The implementation of Statements No. 68 and 71 resulted in the reporting of an asset, deferred outflow of resources, and a liability related to the District's participation in the New York State Teachers' and Employees' Retirement Systems. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	$ 19,017,299
GASB Statements No. 68 and 71 implementation	
Beginning system asset - teachers' retirement system	1,597,673
Beginning system liability - employees' retirement system	(1,167,211)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	6,286,267
	6,716,729
Net position beginning of year, as restated	$ 25,734,028

20. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2015, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	$ 656,821
Instruction	48,460
	705,281
Capital Projects Fund	
Capital projects	91,135
	$ 796,416

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. Management 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 $345,218. The minimum remaining operating lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2016	$ 136,663
2017	136,663
2018	136,663
2019	46,213
	$ 456,202

The District leases a school building under a non-cancelable operating lease. Rental expense for the year was $350,719. The minimum remaining operating lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2016	$ 357,734
2017	364,888
2018	372,186
2019	31,066
	$ 1,125,874

21. SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 28, 2015, 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, 2015

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 53,573,723	$ 53,927,271	$ 53,927,271	$ -
Other tax items	8,773,519	8,419,971	8,440,181	20,210
Nonproperty tax items	1,575,000	1,575,000	1,648,613	73,613
Charges for services	92,000	92,000	141,254	49,254
Use of money and property	439,000	439,000	374,081	(64,919)
Sale of property and compensation for loss	15,000	15,000	45,238	30,238
Miscellaneous	12,000	244,436	798,439	554,003
Total Local Sources	64,480,242	64,712,678	65,375,077	662,399
State Sources	19,611,054	19,611,054	18,957,444	(653,610)
Medicaid Reimbursement	60,000	60,000	59,946	(54)
Total Revenues	84,151,296	84,383,732	84,392,467	8,735
OTHER SOURCES				
Operating transfers in	768,982	768,982	648,982	(120,000)
Total Revenues and Other Sources	84,920,278	85,152,714	85,041,449	$ (111,265)
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	3,000,000	3,000,000		
Prior Year's Encumbrances	599,051	599,051		
Appropriated Reserves	500,000	608,250		
Total Appropriated Fund Balance	4,099,051	4,207,301		
Total Revenues, Other Sources and Appropriated Fund Balance	$ 89,019,329	$ 89,360,015		

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, 2015

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	$ 64,469	$ 67,049	$ 56,069	$	$ 10,980
Central administration	379,669	389,072	386,397		2,675
Finance	898,989	889,534	871,622	8,500	9,412
Staff	148,000	148,000	110,169		37,831
Central services	6,609,580	7,475,253	6,527,592	648,321	299,340
Special items	902,628	1,029,002	1,008,818		20,184
Total General Support	9,003,335	9,997,910	8,960,667	656,821	380,422
Instruction					
Administration & improvement	4,149,032	3,847,017	3,824,039	2,605	20,373
Teaching - regular school	28,571,845	28,386,483	27,415,784	38,376	932,323
Programs for students with disabilities	13,421,337	13,345,884	12,989,847	7,218	348,819
Occupational education	523,056	496,501	475,366		21,135
Teaching - special schools	20,000	20,822	20,822		-
Instructional media	1,232,134	1,994,938	1,877,070	261	117,607
Pupil services	3,610,705	3,695,574	3,580,783		114,791
Total Instruction	51,528,109	51,787,219	50,183,711	48,460	1,555,048
Pupil Transportation	3,153,084	2,582,151	2,358,919		223,232
Community Services	27,000	48,096	21,096		27,000
Employee Benefits	21,070,727	20,707,565	20,078,841		628,724
Debt Service					
Principal	3,540,000	3,580,000	3,580,000		-
Interest	422,074	382,074	332,887		49,187
Total Debt Service	3,962,074	3,962,074	3,912,887	-	49,187
Total Expenditures	88,744,329	89,085,015	85,516,121	705,281	2,863,613
OTHER USES					
Operating transfers out	275,000	275,000	232,671		42,329
Total Expenditures and Other Uses	$ 89,019,329	$ 89,360,015	85,748,792	$ 705,281	$ 2,905,942
Net Change in Fund Balance			(707,343)		
Fund Balance - Beginning of Year			12,085,773		
Fund Balance - End of Year			$ 11,378,430		

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 Funding Progress - Other Postemployment Benefits
June 30, 2015

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, 2010	$ -	$ 24,806,976	$ 24,806,976	0%	$ 44,206,633	56.1%
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%

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
June 30, 2015

Teachers' Retirement System

	2015
District's proportion of the net pension asset	0.2469390%
District's proportionate share of the net pension asset	$ 27,507,425
District's covered employee payroll	$ 36,115,160
District's proportionate share of the net pension asset as a percentage of its covered employee payroll	76.17 %
Plan fiduciary net position as a percentage of the total pension liability	111.48%

Employees' Retirement System

	2015
District's proportion of the net pension liability	0.0258298%
District's proportionate share of the net pension liability	$ 872,593
District's covered employee payroll	$ 6,724,831
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	12.98 %
Plan fiduciary net position as a percentage of the total pension liability	97.95%

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

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Schedule of District Contributions
June 30, 2015

Teachers' Retirement System

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	$ 6,667,222	$ 5,885,354	$ 4,210,149	$ 4,012,876	$ 3,125,133	$ 2,105,152	$ 2,631,080	$ 2,575,343	$ 2,397,090	$ 2,002,564
Contributions in relation to the contractually required contribution	6,667,222	5,885,354	4,210,149	4,012,876	3,125,133	2,105,152	2,631,080	2,575,343	2,397,090	2,002,564
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$38,010,895	$36,115,160	$35,226,710	$35,559,449	$35,932,024	$33,675,394	$31,755,737	`NOT READILY AVAILABLE`		
Contributions as a percentage of covered employee payroll	18%	16%	12%	11%	9%	6%	8%			

Employees' Retirement System

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	$ 1,177,300	$ 1,382,882	$ 1,213,194	$ 1,021,858	$ 692,381	$ 449,154	$ 477,748	$ 456,656	$ 506,531	$ 513,483
Contributions in relation to the contractually required contribution	1,177,300	1,382,882	1,213,194	1,021,858	692,381	449,154	477,748	456,656	506,531	513,483
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 6,768,008	$ 6,605,898	$ 6,771,531	$ 6,650,393	$ 6,605,636	$ 6,271,632	$ 5,971,734	`NOT READILY AVAILABLE`		
Contributions as a percentage of covered employee payroll	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, 2015

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		$ 88,420,278
Additions:		
Prior year's encumbrances		599,051
Original Budget		89,019,329
Budget revision		340,686
Final Budget		$ 89,360,015

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2015-16 voter-approved expenditure budget		$ 91,718,860
Maximum allowed (4% of 2015-16 budget)		$ 3,668,754
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$ 4,305,281	
Unassigned fund balance	2,708,710	
		$ 7,013,991
Less:		
Appropriated fund balance	3,600,000	
Encumbrances	705,281	
Total adjustments		4,305,281
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		$ 2,708,710
Actual Percentage		2.95%

PORT CHESTER - RYE UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures -
Capital Projects Fund
For The Year Ended June 30, 2015

PROJECT TITLE	Budget June 30, 2014	Budget June 30, 2015	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, 2015
Middle School Door Replacement	$ 185,827	$ 185,827	$ 185,827	$ -	$ 185,827	$ -	$ -	$ -	$ 185,827	$ 185,827	$ -
High School Door Replacement	100,000	100,000	10,635	87,970	98,605	1,395			100,000	100,000	1,395
High School Door Replacement		100,000		6,390	6,390	93,610			100,000	100,000	93,610
Unallocated	889,400	889,400	79,373		79,373	810,027			889,400	889,400	810,027
Totals	$ 1,175,227	$ 1,275,227	$ 275,835	$ 94,360	$ 370,195	$ 905,032	$ -	$ -	$ 1,275,227	$ 1,275,227	$ 905,032

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, 2015

Capital assets, net	$ 30,289,059
Add:	
Deferred charge on advance refunding	273,459
	30,562,518
Deduct:	
Premium on bonds payable	(400,062)
Short-term portion of bonds payable	(3,655,000)
Long-term portion of bonds payable	(12,550,000)
	(16,605,062)
Net investment in capital assets	$ 13,957,456

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Port Chester - Rye Union Free School District (District), as of and for the year ended June 30, 2015, 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 28, 2015.

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 28, 2015.

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 28, 2015