

**RYE NECK UNION FREE SCHOOL DISTRICT, NEW YORK**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2018**

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**TABLE OF CONTENTS**

	<u>PAGE</u>
Independent Auditor's Report	1
Required Supplementary Information:	
Management's Discussion And Analysis ("MD&A")	3
Basic Financial Statements:	
District-Wide Financial Statements -	
Statement Of Net Position	14
Statement Of Activities	15
Fund Financial Statements -	
Balance Sheet - Governmental Funds	16
Reconciliation Of Governmental Funds Balance Sheet To The Statement Of Net Position	17
Fund Financial Statements -	
Statement Of Revenues, Expenditures And Changes In Fund Balance - Governmental Funds	18
Reconciliation Of Governmental Funds Statement Of Revenues, Expenditures And Changes In Fund Balance To The Statement Of Activities	19
Fund Financial Statements -	
Statement Of Fiduciary Net Position - Fiduciary Funds	20
Notes To Financial Statements	21
Required Supplementary Information Other Than MD&A:	
General Fund -	
Schedule Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual	44
Schedule Of Changes In The District's Total OPEB Liability And Related Ratios	45
Schedule Of District's Proportionate Share Of The Net Pension Liability - NYSERS	46
Schedule Of District's Proportionate Share Of The Net Pension Asset/Liability - NYSTRS	47
Schedule Of District Pension Contributions - NYSERS	48
Schedule Of District Pension Contributions - NYSTRS	49
Other Supplementary Information:	
General Fund -	
Schedule Of Change From Adopted Budget To Final Budget And The Real Property Tax Limit	50
Capital Projects Fund -	
Schedule Of Project Expenditures And Financing Sources	51
Net Investment In Capital Assets	52
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 <i>Government Auditing Standards</i>	53



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
Rye Neck Union Free School District, New York:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund and fiduciary funds of the Rye Neck Union Free School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and fiduciary funds of the Rye Neck Union Free School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# NawrockiSmith

## ***Changes in Accounting Principles and Prior Period Adjustment***

As described in Note 3 to the financial statements, in 2018 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The effect of GASB Statement No. 75 required a prior period adjustment as discussed in Note 13 to the financial statements. 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 the management's discussion and analysis and required supplementary information, on pages 3-13, and 44-49, 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Other supplementary information required by the New York State Education Department is indicated as such in the table of contents.

The other supplementary information required by the New York State Education Department is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melville, New York  
September 14, 2018



**RYE NECK UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The following is a discussion and analysis of the Rye Neck Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2018. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's net position, as reflected in the District-wide financial statements, totaled a deficit of \$34,909,417.
- The District's expenses, on the full accrual basis of accounting, for the year, totaled \$42,585,595. Of this amount, \$1,560,176 was offset by program charges for services, operating grants and contributions. General revenues of \$39,156,223 amount to 96% of total revenues.
- The General Fund's total fund balance, as reflected in the fund financial statements, was \$9,847,216, which is an increase of \$986,800 (see pages 16 and 18).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of financial statements that present different views of the District:

- The first two financial statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining financial statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide financial statements.
  - The *governmental funds financial statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
  - The *fiduciary funds financial statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Table A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the financial statements.

**Table A-1: Major Features of the District-Wide and Fund Financial Statements**

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**District-Wide Financial Statements**

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide financial statements report the District's *net position* and how it has changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial status is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are shown as *governmental activities*. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and State formula aid finance most of these activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, reconciliations of the District-wide and governmental funds financial statements are provided which explain the relationship (or differences) between them.
- **Fiduciary funds:** The District is the trustee or fiduciary, for assets that belong to others, such as the scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

### **Net Position**

The District's net position decreased by 5.7% from the year before to a net deficit balance of \$34,909,417 as detailed in Tables A-2 and A-3.

The restricted net position balance of \$7,509,929 represents assets that are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

As of June 30, 2018, the District has an unrestricted net deficit position of \$51,352,769. This deficit is primarily driven by the District's required recognition of the total other postemployment benefit ("OPEB") liability of \$63,049,375 as required by GASB Statement No. 75.

**Table A-2: Condensed Statements of Net Position - Governmental Activities**

	<u>6/30/2018</u>	(As Restated) <u>6/30/2017</u>	<u>% Change</u>
Current and other assets	\$ 13,630,768	\$ 11,979,195	13.8
Capital assets, net	<u>20,734,311</u>	<u>21,222,086</u>	(2.3)
Total assets	<u>34,365,079</u>	<u>33,201,281</u>	3.5
Deferred outflows of resources	<u>12,156,569</u>	<u>12,315,834</u>	(1.3)
Current liabilities	3,763,186	3,717,830	1.2
Long-term liabilities	<u>74,200,009</u>	<u>74,282,388</u>	(0.1)
Total liabilities	<u>77,963,195</u>	<u>78,000,218</u>	(0.0)
Deferred inflows of resources	<u>3,467,870</u>	<u>557,118</u>	522.5
Net position:			
Net investment in capital assets	8,933,423	8,469,086	5.5
Restricted	7,509,929	5,870,835	27.9
Unrestricted (deficit)	<u>(51,352,769)</u>	<u>(47,380,142)</u>	(8.4)
Total net position	<u>\$ (34,909,417)</u>	<u>\$ (33,040,221)</u>	(5.7)

As of June 30, 2018, the District had positive working capital of \$9,867,582 as compared to \$8,261,365 as of June 30, 2017. The increase is mainly due to a decrease in debt service requirements for the upcoming fiscal year as the District's bonds grow closer to maturity.

The District's deferred outflows of resources decreased \$159,265 due to a decrease in the proportionate share of pension related items as a result of changes in actuarial assumptions.

Long-term liabilities decreased \$82,379 primarily due to the net change in the total OPEB liability offset by the reduction in bonds payable and the proportionate share of net pension liabilities.

### **Changes in Net Position**

The District's revenues on the full accrual basis of accounting increased \$260,519 or 0.6% to \$40,716,399 (See Table A-3). Property, other tax items and non-property tax items and State sources accounted for most of the District's revenue by contributing 90 cents and 5 cents, respectively, of every dollar raised (See Table A-4). The remainder came from fees charged for services, operating grants and other miscellaneous sources.

- Real property taxes increased \$463,123, or 1.4%, as a result of the budgeted increase in the tax levy in fiscal 2017.
- Capital grants and contributions decreased \$174,530. The District received a portion of the Smart Schools Bond Act funding during last year, which was used to fund technology upgrades for classroom and District equipment.

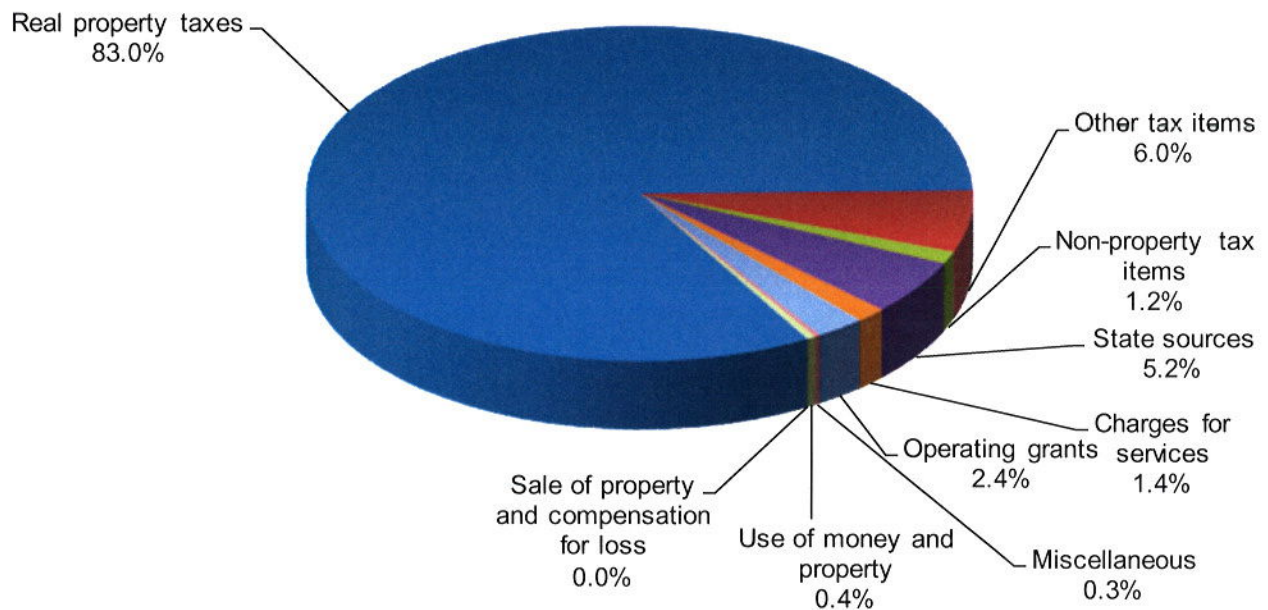
The District's fiscal year 2018 expenses totaled \$42,585,595 (See Table A-3). These expenses (84 percent) are predominantly related to instruction and transporting students (See Table A-6). The District's administrative and business activities accounted for 14 percent of total costs.



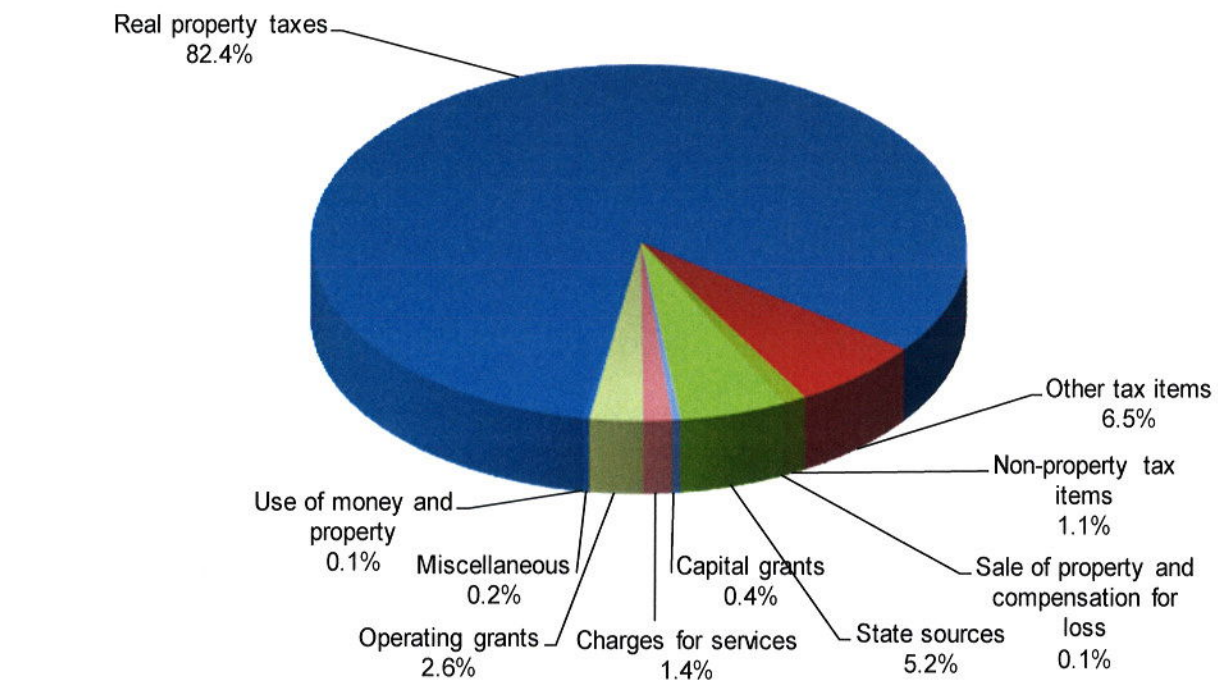
**Table A-3: Changes in Net Position from Operating Results - Governmental Activities Only**

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>% Change</u>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 590,327	\$ 568,438	3.9
Operating grants and contributions	969,849	1,055,929	(8.2)
Capital grants and contributions	-	174,530	(100.0)
General revenues:			
Real property taxes	33,776,798	33,313,675	1.4
Other tax items	2,428,805	2,632,346	(7.7)
Non-property tax items	481,770	459,370	4.9
Unrestricted State sources	2,173,577	2,119,038	2.6
Use of money and property	164,534	50,248	227.4
Sale of property and compensation for loss	13,480	6,567	105.3
Miscellaneous	117,259	75,739	54.8
	<u>40,716,399</u>	<u>40,455,880</u>	0.6
<b>Expenses</b>			
General support	5,908,392	5,944,927	(0.6)
Instruction	34,907,984	34,891,087	0.0
Pupil transportation	738,554	737,836	0.1
School lunch program	676,360	670,818	0.8
Debt service - interest	354,305	358,668	(1.2)
	<u>42,585,595</u>	<u>42,603,336</u>	(0.0)
Decrease in net position	(1,869,196)	(2,147,456)	(13.0)
Net position (deficit), beginning of year	(33,040,221)	4,374,411	
Prior period adjustment, see Note 13	-	(35,267,176)	
Net position (deficit), end of year	<u>\$ (34,909,417)</u>	<u>\$ (33,040,221)</u>	

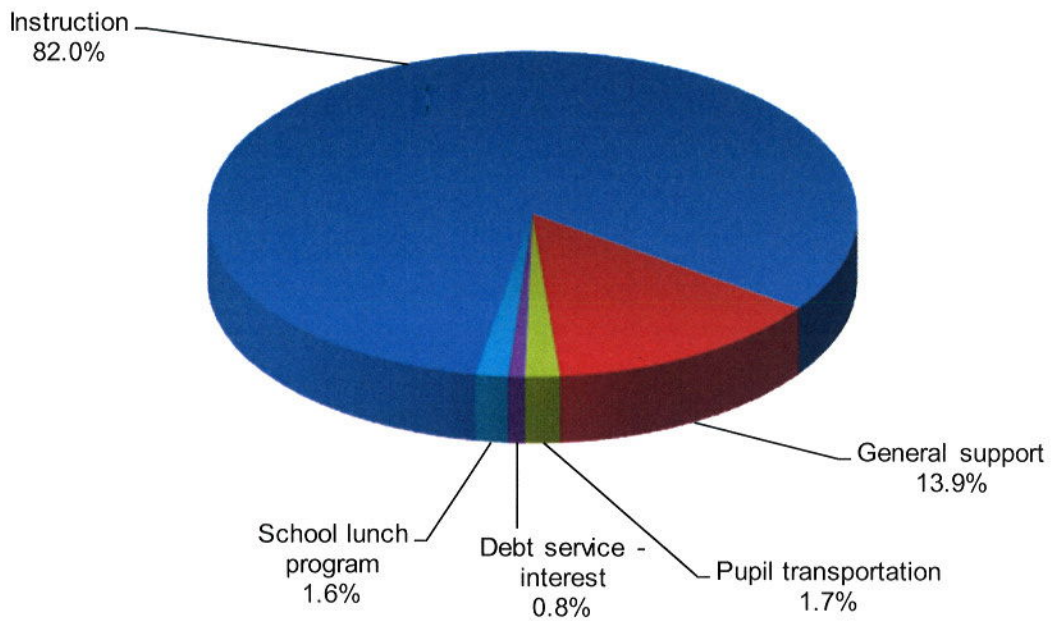
**Table A-4: Revenues for Fiscal Year 2018**



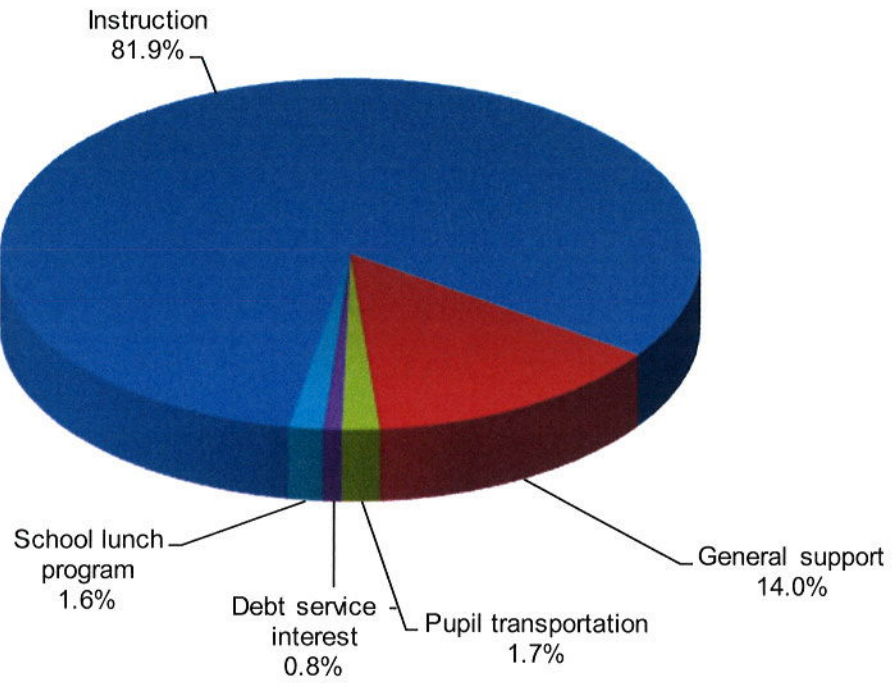
**Table A-5: Revenues for Fiscal Year 2017**



**Table A-6: Expenses for Fiscal Year 2018**



**Table A-7: Expenses for Fiscal Year 2017**



**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Variations between years for the governmental fund financial statements are not the same as variations between years for the District-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$10,386,569, which is an increase of \$870,736 from June 30, 2017. Fund balances for the District's governmental funds for the past two years were distributed as follows:

<b>Table A-8: Fund Balances - Governmental Funds</b>			
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>% Change</u>
<b>General Fund</b>			
Restricted:			
Debt Service	\$ 150,000	\$ -	100.0
Insurance	1,603,244	-	100.0
Retirement Contributions	3,458,718	3,458,718	-
Tax Certiorari	1,771,950	1,771,950	-
Assigned:			
Designated for subsequent year's expenditures	636,000	1,203,387	(47.1)
Encumbrances	572,336	821,561	(30.3)
Unassigned	<u>1,654,968</u>	<u>1,604,800</u>	3.1
Total General Fund	<u>9,847,216</u>	<u>8,860,416</u>	11.1
<b>School Lunch Fund</b>			
Nonspendable:			
Inventory	13,336	15,250	(12.6)
Restricted:			
Food service operations	<u>179,706</u>	<u>100,711</u>	78.4
Total School Lunch Fund	<u>193,042</u>	<u>115,961</u>	66.5
<b>Special Purpose Fund</b>			
Restricted:			
Scholarships	<u>121,643</u>	<u>123,836</u>	(1.8)
Total Special Purpose Fund	<u>121,643</u>	<u>123,836</u>	(1.8)
<b>Capital Projects Fund</b>			
Restricted:			
Capital Improvements	<u>224,668</u>	<u>415,620</u>	(45.9)
Total Capital Projects Fund	<u>224,668</u>	<u>415,620</u>	(45.9)
Total fund balance	<u>\$ 10,386,569</u>	<u>\$ 9,515,833</u>	9.2

**General Fund**

The General Fund reported an increase in fund balance of \$986,800 for fiscal 2018, as compared to an increase in fund balance of \$222,231 for fiscal 2017. Revenues increased \$260,519 mainly as a result of an increase in the budgeted property tax levy, and an increase in the amount of State formula aid from the New York State Department of Education. Expenditures decreased \$17,741 due to decreases mainly in instruction related items. As a result of the increase in revenues and the decrease in expenditures, the District reported an increase in the change in fund balance. Compared to projected performance, the District performed better than expected.

**School Lunch Fund**

The School Lunch Fund reported an increase in fund balance of \$77,081 for fiscal 2018, as compared to a decrease of \$40,603 for fiscal 2017. Sales increased slightly to \$583,554. Expenses related to school lunch operations decreased \$14,933 mainly due to less independent contractual expense, repairs and materials and supplies.

**General Fund Budgetary Highlights**

Reference is made to the schedule on page 44 which presents original and revised budget amounts, as well as actual results for the District's General Fund.

- Actual revenues were more than the final budgeted revenues by \$376,536. Non-property tax items, miscellaneous, and State sources were greater than budgeted by \$234,899. Non-property tax items are made up of the District's portion of County taxes collected and can vary from year to year. Miscellaneous items are generally due to refunds of prior years' expenditures and are difficult to budget.
- Actual expenditures were \$38,456,349 and encumbrances were \$572,336 resulting in a \$1,912,876 overall favorable budget variance.
- The District originally planned to use \$1.2 million in appropriated fund balance, but instead recorded an addition of \$987,000 to fund balance. The District performed better than planned.

At June 30, 2018, the District's unassigned fund balance was \$1,654,968 which was within the allowable 4% of the subsequent year's budget as promulgated by New York State (see page 50). The following is a reconciliation of the General Fund's unassigned fund balance for the year ended June 30, 2018.

Unassigned fund balance, beginning of year	\$ 1,604,800
Add:	
Prior-year appropriated fund balance	1,203,387
Prior-year encumbrances	821,561
Less:	
Net change in fund balance	986,800
Current-year appropriated fund balance	(636,000)
Current-year encumbrances	(572,336)
Transfer to Debt Service Reserve	(150,000)
Transfer to Insurance Reserve	(1,603,244)
	<hr/>
Unassigned fund balance, end of year	<u>\$ 1,654,968</u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of fiscal 2018, the District had invested \$20,734,311 net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative offices. See Note 6 in the accompanying notes to the financial statements for more information on capital assets.

<b>Table A-9: Capital Assets (net of depreciation)</b>			
	<b><u>6/30/2018</u></b>	<b><u>6/30/2017</u></b>	<b><u>% Change</u></b>
Land	\$ 720,725	\$ 720,725	-
Construction-in-progress	70,000	-	100.0
Land improvements	183,067	131,720	39.0
Buildings and building improvements	18,237,251	19,038,330	(4.2)
Furniture and equipment	<u>1,523,268</u>	<u>1,331,311</u>	14.4
Totals	<u>\$ 20,734,311</u>	<u>\$ 21,222,086</u>	(2.3)

**Long-Term Liabilities**

At year-end, the District had \$75,107,717 in general obligation bonds and other long-term liabilities. The District did not enter into any new debt agreements during the year ended June 30, 2018.

<b>Table A-10: Outstanding Long-Term Debt</b>			
	<b><u>6/30/2018</u></b>	<b>(As Restated) <u>6/30/2017</u></b>	<b><u>% Change</u></b>
Bonds payable, net	\$ 10,497,387	\$ 11,546,504	(9.1)
Capital note payable	1,560,955	1,666,646	(6.3)
Other post-employment benefits	<u>63,049,375</u>	<u>60,165,041</u>	4.8
Totals	<u>\$ 75,107,717</u>	<u>\$ 73,378,191</u>	2.4

**FACTORS BEARING ON THE FUTURE OF DISTRICT**

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that may affect its financial health in the future:

- The "Tax Levy Limitation Law" which was enacted on June 24, 2011 restricts the amount of property taxes that may be levied by or on behalf of a school district in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the new Law is expected to make budgetary decisions more difficult.
- The General Fund Budget for the 2018-2019 school year is impacted by certain trends affecting school districts. These include potential increase in health insurance costs, workers' compensation judgments, and potential unemployment insurance claims, which are beyond the District's control.

- The possibility of New York State allowing for the establishment of other post-employment benefit reserve funds is being discussed in the legislature. This would allow for the District to set aside monies to meet other post-employment retirement benefits such as health insurance. The establishment of that reserve would increase the District's ability to plan for the future.
- The establishment of a retirement contributions reserve for the Teachers' Retirement System would allow School Districts to set aside monies for future retirement contribution costs. The establishment of this reserve is being deliberated by the New York State Senate Rules Committee.
- Due to recent tax law changes, homeowners will only be allowed to deduct \$10,000 of their property tax payments on their personal income tax returns. This change may affect voters' decisions in approving future District budgets, which in turn could result in a reduction of services provided.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Rye Neck Union Free School District  
Attn: Kimberly Bucci  
310 Hornidge Road  
Mamaroneck, NY 10543-3898

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

**ASSETS**

Unrestricted cash	\$	4,570,421
Receivables:		
State and federal aid		503,391
Due from fiduciary funds		170,000
Inventories		13,336
Restricted cash		7,569,010
Proportionate share of net pension asset		804,610
Capital assets:		
Non-depreciable		790,725
Depreciable, net		19,943,586
		34,365,079
Total assets		34,365,079

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows from charges from refunding bonds		32,786
Deferred outflows from pensions		12,123,783
		12,156,569
Total deferred outflows of resources		12,156,569

**LIABILITIES**

Accounts payable		330,747
Accrued interest payable		131,205
Due to other governments		50,921
Due to teachers' retirement system		1,902,772
Due to employees' retirement system		127,961
Unearned revenue		27,188
Long-term liabilities, due within one year:		
Bonds payable, net		1,084,117
Capital note		108,275
Long-term liabilities, due after one year:		
Bonds payable, net		9,413,270
Capital note		1,452,680
Proportionate share of net pension liability		284,684
Other post-employment benefits		63,049,375
		77,963,195
Total liabilities		77,963,195

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows from pensions		3,173,469
Deferred inflows from OPEB		294,401
		3,467,870
Total deferred inflows of resources		3,467,870

**NET POSITION**

Net investment in capital assets		8,933,423
Restricted:		
Debt Service		150,000
Retirement contributions		3,458,718
Tax certiorari		1,771,950
Insurance reserve		1,603,244
Capital improvements		224,668
Food service operations		179,706
Scholarships		121,643
Unrestricted		(51,352,769)
		(34,909,417)
Total net position	\$	(34,909,417)

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



**RYE NECK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Functions and programs:				
General support	\$ 5,908,392	\$ -	\$ -	\$ (5,908,392)
Instruction	34,907,984	667	815,937	(34,091,380)
Pupil transportation	738,554	-	-	(738,554)
Food service program	676,360	589,660	153,912	67,212
Debt service - interest	354,305	-	-	(354,305)
Total functions and programs	\$ 42,585,595	\$ 590,327	\$ 969,849	(41,025,419)
General revenues:				
Real property taxes				33,776,798
Other tax items				2,428,805
Unrestricted State sources				2,173,577
Non-property tax items				481,770
Use of money and property				164,534
Sale of property and compensation for loss				13,480
Miscellaneous				117,259
Total general revenues				39,156,223
Change in net position				(1,869,196)
Total net position, beginning of year, as restated (see Note 13)				(33,040,221)
Total net position, end of year				\$ (34,909,417)

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

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

**Major Funds**

	Special Revenue					Total Governmental Funds
	General	Special Aid	School Lunch	Special Purpose	Capital Projects	
<b>ASSETS</b>						
Unrestricted cash	\$ 4,570,421	\$ -	\$ -	\$ -	\$ -	\$ 4,570,421
Receivables:						
State and federal aid	215,927	277,547	9,917	-	-	503,391
Due from other funds	376,901	62,338	-	-	-	439,239
Due from fiduciary funds	170,000	-	-	-	-	170,000
Inventories	-	-	13,336	-	-	13,336
Restricted cash	6,983,912	37,016	197,673	121,643	228,766	7,569,010
Total assets	<u>\$ 12,317,161</u>	<u>\$ 376,901</u>	<u>\$ 220,926</u>	<u>\$ 121,643</u>	<u>\$ 228,766</u>	<u>\$ 13,265,397</u>
<b>LIABILITIES</b>						
Payables:						
Accounts payable	325,953	-	696	-	4,098	330,747
Due to other funds	62,338	376,901	-	-	-	439,239
Due to other governments	50,921	-	-	-	-	50,921
Due to teachers' retirement system	1,902,772	-	-	-	-	1,902,772
Due to employees' retirement system	127,961	-	-	-	-	127,961
Unearned revenues	-	-	27,188	-	-	27,188
Total liabilities	<u>2,469,945</u>	<u>376,901</u>	<u>27,884</u>	<u>-</u>	<u>4,098</u>	<u>2,878,828</u>
<b>FUND BALANCE</b>						
Fund balance:						
Nonspendable	-	-	13,336	-	-	13,336
Restricted	6,983,912	-	179,706	121,643	224,668	7,509,929
Assigned	1,208,336	-	-	-	-	1,208,336
Unassigned	1,654,968	-	-	-	-	1,654,968
Total fund balance	<u>9,847,216</u>	<u>-</u>	<u>193,042</u>	<u>121,643</u>	<u>224,668</u>	<u>10,386,569</u>
Total liabilities and fund balance	<u>\$ 12,317,161</u>	<u>\$ 376,901</u>	<u>\$ 220,926</u>	<u>\$ 121,643</u>	<u>\$ 228,766</u>	<u>\$ 13,265,397</u>

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

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Total Fund Balance - Governmental Funds \$ 10,386,569

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets:		
Non-depreciable	\$ 790,725	
Depreciable	40,852,341	
Accumulated depreciation	<u>(20,908,755)</u>	20,734,311

Proportionate share of long-term asset and liability, and deferred outflows of resources and inflows of resources associated with participation in the State retirement systems are not current financial resources or obligations and are not reported in the funds:

Proportionate share of net pension asset	804,610	
Deferred outflows of resources - pension related	12,123,783	
Proportionate share of net pension liability	(284,684)	
Deferred inflows of resources - pension related	<u>(3,173,469)</u>	9,470,240

Deferred charge from refunding bonds. 32,786

Amounts reported as deferred inflows of resources associated with the Total OPEB liability are not current financial resources or obligations and are not reported in the fund financial statements. (294,401)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:

Capital note payable	(1,560,955)	
Bonds payable, net	(10,497,387)	
Total OPEB liability	<u>(63,049,375)</u>	(75,107,717)

Interest payable applicable to the District's activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position. (131,205)

Net Position - Governmental Activities \$ (34,909,417)

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Major Funds						Total Governmental Funds
	Special Revenue						
	General	Special Aid	School Lunch	Special Purpose	Capital Projects	Total	
<b>REVENUES</b>							
Real property taxes	\$ 33,776,798	-	-	-	-	\$	\$ 33,776,798
Other tax items	2,428,805	-	-	-	-	-	2,428,805
Non-property tax items	481,770	-	-	-	-	-	481,770
Charges for services	667	-	-	-	-	-	667
Use of money and property	164,360	-	6,280	-	-	-	170,640
Sale of property and compensation for loss	13,480	-	-	-	-	-	13,480
State sources	2,318,852	32,808	9,214	-	-	-	2,360,874
Federal sources	-	435,552	144,698	-	-	-	580,250
Sales	-	-	583,554	-	-	-	583,554
Miscellaneous	108,417	21,373	3,752	186,019	-	-	319,561
Total revenues	39,293,149	489,733	747,498	186,019	-	-	40,716,399
<b>EXPENDITURES</b>							
Current:							
General support	4,540,919	-	-	-	-	-	4,540,919
Instruction	22,964,263	503,100	-	188,212	-	-	23,655,575
Pupil transportation	708,340	30,214	-	-	-	-	738,554
Employee benefits	8,733,421	-	-	-	-	-	8,733,421
Cost of sales	-	-	670,417	-	-	-	670,417
Debt service:							
Principal	1,100,691	-	-	-	-	-	1,100,691
Interest	365,134	-	-	-	-	-	365,134
Capital outlay	-	-	-	-	40,952	-	40,952
Total expenditures	38,412,768	533,314	670,417	188,212	40,952	-	39,845,663
Excess (deficiency) of revenues over (under) expenditures	880,381	(43,581)	77,081	(2,193)	(40,952)	-	870,736
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	150,000	43,581	-	-	-	-	193,581
Transfers out	(43,581)	-	-	-	(150,000)	-	(193,581)
Total other financing sources (uses)	106,419	43,581	-	-	(150,000)	-	-
Change in fund balance	986,800	-	77,081	(2,193)	(190,952)	-	870,736
Fund balance, beginning of year	8,860,416	-	115,961	123,836	415,620	-	9,515,833
Fund balance, end of year	\$ 9,847,216	\$ -	\$ 193,042	\$ 121,643	\$ 224,668	\$	\$ 10,386,569

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

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balance - Governmental Activities	\$	870,736
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeds capital outlay in the current period is:</p>		
Capital outlay	\$ 649,258	
Depreciation expense	(1,114,501)	
Retirement of partially depreciated capital assets	(22,532)	(487,775)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.</p>		
Repayment of capital note principal	105,691	
Repayment of bond principal	995,000	1,100,691
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Amortization of refunding bond premiums	54,117	
Amortization of deferred charge on refunding bond	(11,744)	
Total OPEB liability	(2,884,334)	
Accrued interest costs	(31,544)	(2,873,505)
<p>Changes in the amount of Total OPEB liability deferred inflows of resources reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues in the governmental funds.</p>		
		(294,401)
<p>Changes in the proportionate share of the collective pension expense of the State retirement plans reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.</p>		
Teachers' Retirement System	(214,691)	
Employees' Retirement System	29,749	(184,942)
Change in Net Position - Governmental Activities	\$	(1,869,196)

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

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2018**

<b>ASSETS</b>	<b>Agency Funds</b>
Cash:	
Unrestricted	\$ 1,135
Restricted	62,662
Receivables	175,868
	<hr/>
Total assets	\$ 239,665
	<hr/> <hr/>
<b>LIABILITIES</b>	
Due to governmental funds	\$ 170,000
Extraclassroom activity balances	62,662
Other liabilities	7,003
	<hr/>
Total liabilities	\$ 239,665
	<hr/> <hr/>

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

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Rye Neck Union Free School District (the "District") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board ("GASB"), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies used by the District are described below:

**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. 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 reporting entity of the District is based upon 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 such criteria the District has not identified any component units to be included as part of the reporting entity.

**B. 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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the District. The District accounts for assets held as an agent for various student organizations in an agency fund.

**C. Joint venture**

The District is a component district in the Southern Westchester Board of Cooperative Educational Services ("BOCES"). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under Section 1950 of the New York State 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 New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (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 New York State 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 the New York State Education Law, Section 1950(4)(b)(7).

In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$1,758,520 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$272,331.

Financial statements for the BOCES are available from the BOCES administrative office.

D. Basis of presentation

1. District-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These financial statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal 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.

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. Indirect expenses, principally employee benefits and depreciation, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund financial statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate financial statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds include the following:

Special Aid Fund: Used to account for proceeds from State and federal grants that are restricted for specific educational programs.

School Lunch Fund: Used to account for child nutrition or other activities whose funds are restricted as to use.

Special Purpose Fund: Used to account for assets held by the District in accordance with the terms of a trust agreement, where the District has the ability to select who will receive payments.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction or major repair of capital facilities.



The District reports the following fiduciary fund:

Fiduciary Fund

Fiduciary activities are those 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 is one class of fiduciary funds:

Agency fund: This fund is strictly custodial in nature and does 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.

E. 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 property taxes, grants and donations. On an accrual basis, revenue from 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 fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences 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 and acquisitions under capital leases are reported as other financing sources.

F. Property taxes

Real property taxes attach as an enforceable lien on real property as of July 1<sup>st</sup> and are payable in two installments in September and January for the Town of Rye ("Town") and August and December for the City of Rye ("City"). The Town and City are responsible for the billing and collection of the taxes. The Town and City guarantee the full payment of the District warrant and assume responsibility for uncollected taxes.

G. Restricted resources

When an expense is incurred for purposes for which both restricted and unrestricted net position 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.

H. 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 the transfer of expenditures and revenues to provide financing or other services.

In the District-wide financial 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 may be 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.

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

I. 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. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, useful lives of long-lived assets and proportionate share of net pension assets and liabilities.

J. Cash and investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the District's investment policies. 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 United States Treasury, United States 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 the State and its municipalities and school districts.

K. Accounts receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

L. Inventories and prepaid items

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, at stated value which approximates market. Purchases of other inventory items, such as supplies, in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures (nonspendable).

M. Other assets/restricted assets

Certain proceeds from serial bonds, as well as resources set aside for their repayment are classified as restricted assets in the District-wide financial statements as their use is limited by applicable bond covenants.

In the District-wide financial statements, bond discounts, premiums and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

N. Capital assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 1975. For assets acquired prior to July 1, 1975, estimated historical costs, based on independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 10,000	Straight line	20 years
Buildings and building improvements	\$ 10,000	Straight line	20-50 years
Furniture and equipment	\$ 1,000	Straight line	5-20 years

O. Unearned revenue

The District reports unearned revenue on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. Another example is the prepayment for student food sale vouchers not yet redeemed in the School Lunch Fund. In subsequent periods, when the District has legal claim to resources, or the food sale vouchers are used, the liability for unearned revenue is removed and revenue is recognized.

P. Deferred outflows of resources

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Q. Deferred inflows of resources

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, 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.

R. Compensated absences

The District does not compensate employees for unused sick leave and vacation is generally taken in the year earned.

S. Other benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become 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.

T. 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 budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

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.

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

U. Accrued liabilities and long-term obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments and other post-employment benefits that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

V. Equity classifications

District-wide financial statements

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

1. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also are included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

2. Restricted net position: Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
3. Unrestricted net position: Is the amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position, and is deemed to be available for general use by the District.

#### Fund financial statements

In the fund financial statements there are five classifications of fund balance:

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances within the General Fund:

##### Debt Service

According to General Municipal Law §6-l, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of school district property or capital improvement.

##### Insurance

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

##### Tax Certiorari

According to General Municipal Law §3651.1-a, must be 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.

##### Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other

funds and a detailed report of the operation and condition of the fund must be provided to the Board.

3. Committed - Includes amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board of Education is the decision-making authority that can, by Board resolution, commit fund balance.
4. Assigned - Includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed, except for tax stabilization. The intent can be expressed by the Board or through the Board delegating this responsibility to the District administration through the budgetary process. The classification also includes the remaining positive fund balances for all governmental funds except for the General Fund.
5. Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and is deemed to be available for general use by the District. The unassigned classification also includes negative residual balances of any other governmental fund that cannot be eliminated by offsetting assigned fund balances.

Fund balances for all governmental funds as of June 30, 2018 were distributed as follows:

	General	School Lunch	Special Purpose	Capital Projects	Total Governmental Funds
Nonspendable:					
Inventory	\$ -	\$ 13,336	\$ -	\$ -	\$ 13,336
Total nonspendable	-	13,336	-	-	13,336
Restricted:					
Capital	-	-	-	224,668	224,668
Debt Service	150,000	-	-	-	150,000
Insurance	1,603,244	-	-	-	1,603,244
Retirement Contributions	3,458,718	-	-	-	3,458,718
Tax Certiorari	1,771,950	-	-	-	1,771,950
Food service operations	-	179,706	-	-	179,706
Scholarships	-	-	121,643	-	121,643
Total restricted	6,983,912	179,706	121,643	224,668	7,509,929
Assigned:					
Designated for subsequent year's expenditures	636,000	-	-	-	636,000
Encumbrances	572,336	-	-	-	572,336
Total assigned	1,208,336	-	-	-	1,208,336
Unassigned	1,654,968	-	-	-	1,654,968
Total	\$ 9,847,216	\$ 193,042	\$ 121,643	\$ 224,668	\$ 10,386,569

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

### Order of use of fund balance

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

### W. Change in accounting principle

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of this statement had no impact on the governmental fund financial statements. The statement requires districts to report Other Postemployment Benefits ("OPEB") liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. The implementation resulted in a restatement of the District's beginning net position balance as required by the Statement. See Note 13 for financial statement impact of the implementation of this statement.

## 2. **EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the fund financial statements and the District-wide financial 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 focus of the District-wide financial statements, compared with the current financial resources 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 solely current financial resources focus of the governmental funds 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 five broad categories. The categories are shown below:

#### 1. Long-term revenue/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.

#### 2. Capital related differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund financial 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 financial statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund financial statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. 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.

5. OPEB differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

3. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

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 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 are increased by the planned use of specific reserves, and 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). 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.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Budgets are established and used for individual capital project fund expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

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. Generally, all unencumbered appropriations lapse at year-end, except those for capital project funds. Open encumbrances at fiscal year-end are included in restricted or assigned fund balance, as appropriate. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

4. **CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT AND INTEREST RATE RISK**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.



The District's aggregate bank balances disclosed in the financial statements, included balances not covered by depository insurance at year-end, are collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution, in the District's name	\$ 7,775,759
Collateralized with securities held by the pledging financial institution's trust department or agent not in the District's name	\$ -

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$7,569,010 in the governmental funds and \$62,662 in the fiduciary funds.

## 5. RECEIVABLES

Due from State and federal aid at June 30, 2018, consisted of the following:

General Fund		
New York State Aid - general aid	\$ 133,664	
New York State Aid - excess cost aid	82,263	
Special Aid Fund		
State and federal grants	277,547	
School Lunch Fund		
School breakfast and lunch reimbursement	9,917	
Totals	<u>\$ 503,391</u>	

## 6. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 720,725	\$ -	\$ -	\$ 720,725
Construction-in-progress	-	70,000	-	70,000
Total nondepreciable assets	<u>720,725</u>	<u>70,000</u>	<u>-</u>	<u>790,725</u>
Capital assets that are depreciated:				
Land improvements	965,134	67,600	-	1,032,734
Buildings and building improvements	36,782,349	-	-	36,782,349
Furniture and equipment	2,816,425	511,658	290,825	3,037,258
Total depreciable assets	<u>40,563,908</u>	<u>579,258</u>	<u>290,825</u>	<u>40,852,341</u>
Less accumulated depreciation:				
Land improvements	833,414	16,253	-	849,667
Buildings and building improvements	17,744,019	801,079	-	18,545,098
Furniture and equipment	1,485,114	297,169	268,293	1,513,990
Total accumulated depreciation	<u>20,062,547</u>	<u>1,114,501</u>	<u>268,293</u>	<u>20,908,755</u>
Total depreciated assets, net	<u>20,501,361</u>	<u>(535,243)</u>	<u>22,532</u>	<u>19,943,586</u>
Total capital assets, net	<u>\$ 21,222,086</u>	<u>\$ (465,243)</u>	<u>\$ 22,532</u>	<u>\$ 20,734,311</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 14,261
Instruction	1,094,297
Food service program	<u>5,943</u>
	<u>\$ 1,114,501</u>

**7. LONG-TERM DEBT LIABILITIES**

Long-term liability balances and activity for the year are summarized below:

	(As Restated) Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 11,290,000	\$ -	\$ 995,000	\$ 10,295,000	\$ 1,030,000
Unamortized bond premiums	<u>256,504</u>	<u>-</u>	<u>54,117</u>	<u>202,387</u>	<u>54,117</u>
Total bonds payable, net	11,546,504	-	1,049,117	10,497,387	1,084,117
Other long-term liabilities:					
Capital note payable	1,666,646	-	105,691	1,560,955	108,275
Other post-employment benefits	<u>60,165,041</u>	<u>4,699,230</u>	<u>1,814,896</u>	<u>63,049,375</u>	<u>-</u>
Total long-term liabilities	<u>\$ 73,378,191</u>	<u>\$ 4,699,230</u>	<u>\$ 2,969,704</u>	<u>\$ 75,107,717</u>	<u>\$ 1,192,392</u>

The General Fund has typically been used to liquidate the District's long-term liabilities presented above.

The following is a summary of the maturity of long-term indebtedness:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/2018
Capital note	9/15/15	9/15/30	4.43%	\$ 1,560,955
Serial bonds	1/15/08	1/15/28	4.125-4.50%	2,425,000
Refunding serial bonds	4/14/11	7/15/21	2.00-2.75%	1,320,000
Serial bonds	5/13/14	5/1/29	2.00-2.75%	<u>6,550,000</u>
				<u>\$ 11,855,955</u>

The following is a summary of maturing debt service requirements for the District's serial bonds:

Year Ended <u>June 30,</u>	Principal	Interest	Total
2019	\$ 1,030,000	\$ 293,210	\$ 1,323,210
2020	1,065,000	259,835	1,324,835
2021	1,105,000	225,023	1,330,023
2022	1,145,000	191,435	1,336,435
2023	810,000	165,398	975,398
2024-2028	4,455,000	488,376	4,943,376
2029	<u>685,000</u>	<u>18,838</u>	<u>703,838</u>
	<u>\$ 10,295,000</u>	<u>\$ 1,642,115</u>	<u>\$ 11,937,115</u>

The following is a summary of maturing debt service requirements for the District's capital note payable:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 108,275	\$ 37,277	\$ 145,552
2020	110,922	34,630	145,552
2021	113,633	31,919	145,552
2022	116,411	29,141	145,552
2023	119,257	26,295	145,552
2024-2028	641,473	86,287	727,760
2029-2031	350,984	12,896	363,880
	<u>\$ 1,560,955</u>	<u>\$ 258,445</u>	<u>\$ 1,819,400</u>

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

Interest paid	\$ 365,134
Plus amortization of premium and deferred charges	(42,373)
Less interest accrued in the prior year	(99,661)
Plus interest accrued in the current year	<u>131,205</u>
Interest expense	<u>\$ 354,305</u>

## 8. **PENSION OBLIGATIONS**

The District participates in the New York State and Local Employees' Retirement System ("NYSERS") and the New York State Teachers' Retirement System ("NYSTRS") (the "Systems").

### Plan descriptions and benefits provided

#### Employees' Retirement System

The New York State and Local Employees' Retirement System is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits, as well as death and disability benefits. The net position of the System 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 System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the NYSERS. NYSERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in NYSERS, 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 ("NYSGLIP"), which provides death benefits in the form of life insurance. NYSERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

### Teachers' Retirement System

The New York State Teachers' Retirement System is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits, as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS is governed by a 10 member Board of Trustees. NYSTRS benefits are established under New York State Law. 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 NYSTRS. Once a public employer elects to participate in NYSTRS, 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 NYSTRS, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial Report which can be found on the NYSTRS website at [www.nystrs.org](http://www.nystrs.org).

### Contributions

The Systems are noncontributory for the employee who joined prior to July 27, 1976 (tiers I and II). For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary (tiers III and IV). For NYSERS, employees who joined the System between January 1, 2010 and April 1, 2012, are required to contribute 3% of their salary (tier V). For NYSTRS, employees who joined the System between January 1, 2010 and April 1, 2012, are required to contribute 3.5% of their salary (tier V). In addition, employee contribution rates (3% to 6%) under NYSERS and NYSTRS tier VI (those who joined after April 1, 2012) vary based on a sliding salary scale. With the exception of NYSERS and NYSTRS tier V and VI employees, employees in the System more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District contributions made to the Systems were equal to 100% of the contributions required for each year. Required contributions for the current and two preceding years were as follows:

Year	NYSERS		NYSTRS	
	Contribution	Percentage Of Covered Payroll Contributed	Contribution	Percentage Of Covered Payroll Contributed
2018	\$ 454,751	15.31%	\$ 1,965,993	9.80%
2017	472,888	15.52%	2,004,037	11.72%
2016	577,454	19.08%	2,259,816	13.29%

### Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

The net pension liability was measured as of March 31, 2018 for NYSERS and June 30, 2017 for NYSTRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the NYSERS and NYSTRS Systems in reports issued to the District.

At June 30, 2018, the District reported the following liability for its proportionate share of the net pension asset/(liability) for each of the Systems.

	<u>NYSERS</u>	<u>NYSTRS</u>
Actuarial Valuation Date	April 1, 2017	June 30, 2016
Net pension asset/(liability)	\$ (284,684)	804,610
District's portion of the Plan's total net pension asset/(liability)	0.0088207%	0.105856%

For the year ended June 30, 2018, the District recognized pension expense of \$578,870 for NYSERS and pension expense of \$1,950,587 for NYSTRS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources - NYSERS</u>	<u>Deferred Outflows of Resources - NYSTRS</u>	<u>Deferred Inflows of Resources - NYSERS</u>	<u>Deferred Inflows of Resources - NYSTRS</u>
Differences between expected experience and actual experience	\$ 101,538	\$ 661,997	\$ (83,907)	\$ (313,708)
Changes of assumptions	188,769	8,187,067	-	-
Net difference between projected and actual earnings on pension plan investments	413,481	-	(816,171)	(1,895,090)
Changes in proportion and differences between the District's contributions and proportionate share of contributions	226,311	313,887	(47,669)	(16,924)
Employer contributions subsequent to the measurement date	127,961	1,902,772	-	-
Total	<u>\$ 1,058,060</u>	<u>\$ 11,065,723</u>	<u>\$ (947,747)</u>	<u>\$ (2,225,722)</u>

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

<u>For the year ended:</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2019	\$ 141,776	\$ 242,861
2020	102,400	2,222,712
2021	(179,716)	1,606,723
2022	(82,108)	441,466
2023	-	1,602,213
Thereafter	-	821,254

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:

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.00%	7.25%
Salary scale	3.80%	*Rates of increase differ based on service
Decrement tables	April 1, 2010 to March 31, 2015 System's Experience	July 1, 2009 to June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%

\*The salary scale used for NYSTRS changes based upon levels of service as defined below:

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

For NYSERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For NYSTRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For NYSERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For NYSTRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	NYSERS		NYSTRS	
	Target Allocation	Long-Term Expected Rate of Return	Target Allocation	Long-Term Expected Rate of Return
Measurement date	March 31, 2018		June 30, 2017	
Asset type				
Absolute return strategies	2.00%	3.75%	-	-
Bonds and mortgages	17.00%	1.31%	8.00%	2.80%
Cash	1.00%	(0.25%)	-	-
Domestic equity	36.00%	4.55%	35.00%	5.90%
Domestic fixed income	-	-	16.00%	1.60%
Global fixed income	-	-	2.00%	1.30%
High-yield fixed income	-	-	1.00%	3.90%
Inflation-indexed bonds	4.00%	1.25%	-	-
International equity	14.00%	6.35%	18.00%	7.40%
Opportunistic portfolio	3.00%	5.68%	-	-
Private equity	10.00%	7.50%	8.00%	9.00%
Real assets	3.00%	5.29%	-	-
Real estate	10.00%	5.55%	11.00%	4.30%
Short-term	-	-	1.00%	0.60%
	<u>100%</u>		<u>100%</u>	

#### Discount rate

The discount rate used to calculate the total pension liability was 7.0% for NYSERS and 7.25% for NYSTRS. 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. 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 (asset) to the discount rate assumption

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

	1% Decrease (6.0%)	Current assumption (7.0%)	1% Increase (8.0%)
<u>NYSERS</u>			
Employer's proportionate share of the net pension liability (asset)	\$ 2,153,998	\$ 284,684	\$ (1,296,680)
<u>NYSTRS</u>	1% Decrease (6.25%)	Current assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability (asset)	\$ 13,861,053	\$ (804,610)	\$ (13,086,375)

Pension plan fiduciary net position

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

	(Dollars in Thousands)	
	<u>NYSERS</u>	<u>NYSTRS</u>
Valuation date	April 1, 2017	June 30, 2016
Employers' total pension liability	\$ 183,400,590	\$ 114,708,261
Plan net position	<u>180,173,145</u>	<u>115,468,360</u>
Employers' net pension asset/(liability)	<u>\$ (3,227,445)</u>	<u>\$ 760,099</u>
Ratio of plan net position to the employers' total pension asset/(liability)	<u>98.24%</u>	<u>100.66%</u>

Payables to the pension plan

For NYSERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid NYSERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$127,961.

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the system in September, October and November 2018 through a State aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid NYSTRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the NYSTRS System. Accrued retirement contributions including employee contributions, as of June 30, 2018 amounted to \$1,902,772.

**9. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS**

	Interfund		Interfund	
	<u>Receivable</u>	<u>Payable</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 546,901	\$ 62,338	\$ 150,000	\$ 43,581
Special Aid Fund	62,338	376,901	43,581	-
Capital Projects Fund	-	-	-	150,000
Fiduciary Funds	-	170,000	-	-
Totals	<u>\$ 609,239</u>	<u>\$ 609,239</u>	<u>\$ 193,581</u>	<u>\$ 193,581</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.



10. **OTHER POST-EMPLOYMENT BENEFITS (“OPEB”)**

A. General information about the OPEB plan

Plan description

The District’s defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board of Education. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided

The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees covered by benefit terms

As of July 1, 2017, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	113
Active plan members	<u>188</u>
Total plan members	<u><u>301</u></u>

B. Total OPEB liability

The District’s total OPEB liability of \$63,049,375 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial assumptions and other inputs

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

Inflation	2.60%
Salary increases	3.00% average, including inflation
Discount rate	3.00%
Healthcare cost trend rates	7.5% for 2017, decreasing 0.5% per year to an ultimate rate of 4.5% in 2022
Retirees’ share of benefit-related costs	0% to 8% of projected health insurance premiums for retirees

The discount rate was based on the July 1, 2018 S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2016.

C. Changes in the total OPEB liability

Balance as of June 30, 2017	<u>\$ 60,165,041</u>
<u>Changes for the year -</u>	
Service cost	2,511,763
Interest	1,853,282
Differences between expected and actual experience	334,185
Benefit payments	<u>(1,814,896)</u>
Net changes	<u>2,884,334</u>
Balance as of June 30, 2018	<u><u>\$ 63,049,375</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.00%) or one percentage point higher (4.00%) than the current discount rate:

	<u>1% Decrease (2.00%)</u>	<u>Current assumption (3.00%)</u>	<u>1% Increase (4.00%)</u>
Total OPEB liability as of June 30, 2018	\$ 75,192,356	\$ 63,049,375	\$ 53,494,015

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current discount rate:

	<u>1% Decrease (6.50% decreasing to 3.50%)</u>	<u>Current assumption (7.50% decreasing to 4.50%)</u>	<u>1% Increase (8.50% decreasing to 5.50%)</u>
Total OPEB liability as of June 30, 2018	\$ 51,293,860	\$ 63,049,375	\$ 79,805,294

D. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$4,404,829. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from differences between expected and actual experience of \$294,401.

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

	Deferred Inflows of Resources - OPEB
	<hr/>
Difference between expected experience and actual experience	\$ 294,401
	<hr/>

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

<u>For the year ended:</u>	
2019	\$ (39,784)
2020	(39,784)
2021	(39,784)
2022	(39,784)
2023	(39,784)
Thereafter	(95,481)

## 11. RISK MANAGEMENT

The District and other school districts have formed a reciprocal insurance company ("Company") to be owned by these districts. This Company operates under an agreement effective July 1, 1989. The purpose of the Company is to provide general liability, auto liability, all risk building and contents and auto physical damage coverage. In addition, as part of the reciprocal program, excess insurance, school board legal liability, equipment floaters, boilers and machinery and crime and bond coverages will be purchased from commercial carriers and be available to the subscriber districts. The Company retains a management company, which is responsible for the overall supervision and management of the Company. The Company is managed by the Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts. The subscribers have elected those who sit on the board and each subscriber has a single vote. The Company is an "assessable" insurance company, in that, the subscribers are severally liable for any financial shortfall of the Company and can be assessed their proportionate share by the State Insurance Department if the funds of the Company are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimal capital contribution.

The District and neighboring school districts in Southern Westchester County participate in the State-Wide Schools Cooperative Health Plan. This Plan operates under an agreement, as amended, dated December 12, 1985. The purpose of the Plan are to effect cost savings in members' expenses for health coverage; to provide for centralized administration, funding and disbursements for health coverage; and to provide for such risk management services as may be appropriate to reduce future expense and liability for health coverage. The governance of the Plan shall be in all respects in the hands of the Board of Trustees. The Board of Trustees shall consist of seven trustees elected by the general membership of the Plan. No action may be taken by the Board of Trustees except by a vote of a majority of the total number of trustees. Billings to participants are based upon coverage provided to each participant's employees. The District has transferred all related risk to the Plan.

The District and neighboring school districts in Southern Westchester County, participate in the Southern Westchester Schools Cooperative Self-Insurance Plan for Workers' Compensation. The purpose of the Plan is to provide efficient and economical evaluation, processing, administration, defense and payment of claims against plan members for workers' compensation and to provide for risk management to reduce future liability for workers' compensation and employers' liability payments. The Plan is managed and governed by a Board of Trustees comprised of a representative from each district. Billings are based upon participant's experience rating. The District has transferred all related risk to the Plan.

There have been no significant reductions in insurance coverage as compared to the prior years, and there were no settlements in excess of coverage over the last three years.

The District has not purchased any annuity contracts.

## 12. CONTINGENCIES AND COMMITMENTS

### Government 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 years' experience, the District's administration believes disallowances, if any, would be immaterial.

### Unissued debt

The District currently has no authorized but unissued debt.

### Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years through at least June 15, 2020, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2 percent, plus the inflation factor (but not less than 0 percent), whichever is less, with some exceptions. The New York State Comptroller set the allowable levy growth factor for local governments for fiscal years beginning July 1, 2017 at 1.26% (before exemptions). School districts can exceed the tax levy limit by a 60% vote of the governing body, subject to voter approval.

### Litigation

The District is involved in lawsuits arising from the normal conduct of business. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

## 13. PRIOR PERIOD ADJUSTMENTS

The District's net position for the year ended June 30, 2017 has been restated as of July 1, 2017 to give effect to the following:

Balance as of July 1, 2017, as previously stated	\$	2,226,955
GASB Statement No. 75 implementation:		
Less: Difference in Total OPEB Liability (calculated under GASB 75) and Net OPEB Liability (calculated under GASB 45)		<u>(35,267,176)</u>
Balance as of July 1, 2017, as restated	\$	<u>(33,040,221)</u>

## 14. FUTURE ACCOUNTING STANDARDS

The District will evaluate the impact each of these upcoming pronouncements may have on its financial statements and will implement them as applicable and when material. The following is a list of GASB pronouncements issued but not yet effective:

<u>GASB Statement No.</u>	<u>GASB Accounting Standard</u>	<u>Effective Fiscal Year</u>
Statement No. 83	Certain Asset Retirement Obligations	June 30, 2019
Statement No. 87	Leases	June 30, 2021
Statement No. 88	Certain Disclosures Related To Debt, Including Direct Borrowings And Direct Placements	June 30, 2019
Statement No. 89	Accounting For Interest Cost Incurred Before The End Of A Construction Period	June 30, 2021

15. **SUBSEQUENT EVENTS**

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of September 14, 2018, which is the date the financial statements were available to be issued, noting no matters requiring further consideration.

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Year-end Encumbrances	Variance
<b>REVENUES</b>					
Local sources:					
Real property taxes	\$ 36,205,473	\$ 33,776,668	\$ 33,776,798		\$ 130
Other tax items	-	2,428,805	2,428,805		-
Non-property tax items	415,000	415,000	481,770		66,770
Charges for services	2,000	2,000	667		(1,333)
Use of money and property	35,000	35,000	164,360		129,360
Sale of property and compensation for loss	-	-	13,480		13,480
Miscellaneous	40,754	40,754	108,417		67,663
Total local sources	36,698,227	36,698,227	36,974,297		276,070
State sources	2,218,386	2,218,386	2,318,852		100,466
Total revenues	38,916,613	38,916,613	39,293,149		376,536
<b>OTHER FINANCING SOURCES</b>					
Interfund transfers	-	-	150,000		
Prior year encumbrances	821,561	821,561	-		
Appropriated reserves and fund balance	1,203,387	1,203,387	-		
Total revenues and other financing sources	40,941,561	40,941,561	39,443,149		
<b>EXPENDITURES</b>					
General support:					
Board of Education	29,321	29,321	21,945	\$ -	7,376
Central administration	371,601	379,821	373,379	-	6,442
Finance	1,009,015	984,015	926,172	5,100	52,743
Staff	120,130	173,774	114,989	55,000	3,785
Central services	3,009,047	3,256,284	2,607,162	396,098	253,024
Special items	442,295	520,770	497,272	-	23,498
Total general support	4,981,409	5,343,985	4,540,919	456,198	346,868
Instruction:					
Instruction, administration and improvement	1,033,014	1,024,976	908,185	1,716	115,075
Teaching - regular school	13,171,256	13,045,949	12,613,323	8,232	424,394
Programs for children with handicapping conditions	5,017,761	4,625,900	4,158,995	-	466,905
Teaching - special school	274,281	248,842	151,271	-	97,571
Instructional media	1,389,526	1,958,135	1,822,472	100,291	35,372
Pupil services	3,441,135	3,493,468	3,310,017	5,899	177,552
Total instruction	24,326,973	24,397,270	22,964,263	116,138	1,316,869
Pupil transportation	959,690	741,952	708,340	-	33,612
Employee benefits	9,187,664	8,972,529	8,733,421	-	239,108
Debt service:					
Principal	1,100,691	1,100,691	1,100,691	-	-
Interest	365,134	365,134	365,134	-	-
Total expenditures	40,921,561	40,921,561	38,412,768	572,336	1,936,457
<b>OTHER FINANCING USES</b>					
Operating transfers out	20,000	20,000	43,581	-	(23,581)
Total expenditures and other financing uses	40,941,561	40,941,561	38,456,349	\$ 572,336	\$ 1,912,876
Net change in fund balance	\$ -	\$ -	986,800		
Fund balance, beginning of year			8,860,416		
Fund balance, end of year			\$ 9,847,216		

**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.

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**LAST FISCAL YEAR**

Measurement date	June 30, 2018
Total OPEB Liability:	
Service cost	\$ 2,511,763
Interest	1,853,282
Differences between expected and actual experience in the measurement of the total OPEB liability	334,185
Benefit payments	<u>(1,814,896)</u>
Net change in total OPEB liability	2,884,334
Total OPEB liability - beginning of year	<u>60,165,041</u>
Total OPEB liability - end of year	<u><u>\$ 63,049,375</u></u>
Covered payroll	\$ 18,384,278
Total OPEB liability as a percentage of covered payroll	342.95%

**Note to Required Supplementary Information**

Ten years of historical information is not available upon implementation of GASB Statement No. 75. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits, as New York State currently does not allow Districts to establish this type of trust. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY - NYSERS**  
**LAST TEN FISCAL YEARS\***  
**(Dollar amounts in thousands)**

	<u>2018</u>	<u>2017</u>	<u>(A)</u> <u>2016</u>	<u>2015</u>
District's proportionate share of the net pension liability	0.00882%	0.00951%	0.01022%	0.00970%
District's proportionate share of the net pension liability	\$ 285	\$ 894	\$ 1,640	\$ 328
District's covered payroll	\$ 2,920	\$ 3,048	\$ 2,949	\$ 2,808
District's proportionate share of the net pension liability as a percentage of covered payroll	9.75%	29.32%	55.62%	11.67%
Plan fiduciary net position as a percentage of the total pension liability	-98.24%	94.70%	90.70%	97.90%

The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

**(A)** The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

\* Data not available prior to fiscal year 2015 implementation of GASB 68.



**RYE NECK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY - NYSTRS**  
**LAST TEN FISCAL YEARS\***  
**(Dollar amounts in thousands)**

	<b>(B)</b> <b>2018</b>	<b>(A)</b> <b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportionate share of the net pension liability (asset)	0.10586%	0.10881%	0.11153%	0.11112%
District's proportionate share of the net pension liability (asset)	\$ (805)	\$ 1,165	\$ (11,584)	\$ (12,378)
District's covered payroll	\$ 17,099	\$ 17,004	\$ 16,344	\$ 16,344
District's proportionate share of the net pension liability (asset) as a percentage of covered payroll	4.71%	6.85%	70.88%	75.73%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.66%	99.01%	110.46%	111.48%

The amounts presented for each fiscal year were determined (bi-annually) as of June 30.

**(A)** The discount rate used to calculate the total pension liability was decreased from 8.0% to 7.5% effective with the June 30, 2016 measurement date.

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

\*Data not available prior to fiscal year 2015 implementation of GASB 68.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - NYSERS**  
**LAST TEN FISCAL YEARS\***  
**(Dollar amounts in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 455	\$ 473	\$ 577	\$ 594
Contributions in relation to the contractually required contribution	<u>455</u>	<u>473</u>	<u>577</u>	<u>594</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,971	\$ 3,048	\$ 3,026	\$ 2,807
Contributions as a percentage of covered payroll	15.31%	15.52%	19.08%	21.19%

\* Data not available prior to fiscal year 2015 implementation of GASB 68.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - NYSTRS**  
**LAST TEN FISCAL YEARS\***  
**(Dollar amounts in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,966	\$ 2,004	\$ 2,260	\$ 2,981
Contributions in relation to the contractually required contribution	<u>1,966</u>	<u>2,004</u>	<u>2,260</u>	<u>2,981</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 20,061	\$ 17,099	\$ 17,004	\$ 16,344
Contributions as a percentage of covered payroll	9.80%	11.72%	13.29%	18.24%

\* Data not available prior to fiscal year 2015 implementation of GASB 68.

**RYE NECK UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**  
**AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Change from adopted budget to final budget:**

Adopted budget		\$ 40,120,000
Add:		
Prior year's encumbrances		821,561
Final budget		\$ 40,941,561

**Section 1318 of the Real Property Tax Law Limit calculation:**

2018-2019 voter-approved expenditure budget		\$ 41,374,222
Maximum allowed (4% of 2018-2019 budget)		\$ 1,654,968

General Fund fund balance subject to §1318 of Real Property Tax Law:

Unrestricted fund balance:		
Assigned fund balance	\$ 1,208,336	
Unassigned fund balance	1,654,968	\$ 2,863,304
Less:		
Appropriated fund balance	636,000	
Encumbrances	572,336	1,208,336
General Fund fund balance subject to §1318 of Real Property Tax Law		\$ 1,654,968
Actual percentage		4.00%

OTHER  
SUPPLEMENTARY  
INFORMATION

RYE NECK UNION FREE SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2018

Project Title	Original Budget	Revised Budget	Prior Years	Expenditures			Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2018
				Current Year	Transfers	Total			State Aid	Local Sources	Total	
Security and Information Technology	\$ 1,968,144	\$ 1,968,144	\$ 1,574,837	\$ 40,952	\$ 150,000	\$ 1,765,789	\$ 202,355	\$ 1,968,144	\$ -	\$ -	\$ 1,968,144	\$ 202,355
DW, F.E. Below, MS/HS Improvements	7,100,000	7,100,000	7,077,687	-	-	7,077,687	22,313	7,100,000	-	-	7,100,000	22,313
Totals	\$ 9,068,144	\$ 9,068,144	\$ 8,652,524	\$ 40,952	\$ 150,000	\$ 8,843,476	\$ 224,668	\$ 9,068,144	\$ -	\$ -	\$ 9,068,144	\$ 224,668

**OTHER  
SUPPLEMENTARY  
INFORMATION**

**RYE NECK UNION FREE SCHOOL DISTRICT  
NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2018**

Capital assets, net		\$ 20,734,311
Deduct:		
Short-term portion of bonds payable, net	\$ 1,084,117	
Long-term portion of bonds payable, net	9,413,270	
Short-term portion of capital note payable	108,275	
Long-term portion of capital note payable	1,452,680	12,058,342
Add:		
Unspent bond proceeds	224,668	
Deferred charge from refunding bonds	32,786	257,454
Net investment in capital assets		\$ 8,933,423

See auditor's report on other supplementary information.



CERTIFIED PUBLIC ACCOUNTANTS

**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 of the  
Rye Neck Union Free School District, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and fiduciary funds of the Rye Neck Union Free School District (the "District") as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 14, 2018.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

# NawrockiSmith

## ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melville, New York  
September 14, 2018

A handwritten signature in cursive script that reads "Nawrocki Smith LLP".