

IRVINGTON UNION FREE SCHOOL DISTRICT

**Financial Statements
as of
June 30, 2017
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

October 10, 2017

The Board of Education of
Irvington Union Free School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Irvington Union Free School District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the aggregate remaining fund information of the Irvington Union Free School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress – other post-employment benefit plans, schedule of proportionate share of net pension liability (asset), and schedule of contributions – pension plans on pages 3 through 13 and 49 through 53 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 information on pages 54 through 56, as required by the New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other information included on pages 54 through 56 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bonadio & Co., LLP

REQUIRED SUPPLEMENTARY INFORMATION

IRVINGTON UNION FREE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2017

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2017. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed, as well as a comparative analysis to prior year information. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- New York State Law limits the unassigned fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. As of June 30, 2017, the total fund balance of the General Fund was \$5,635,259. Of this amount, \$422,500 has been assigned (designated) for subsequent year's expenditures and \$161,424 for carryover encumbrances into the next year budget. The unassigned fund balance is \$2,364,020 which represents 4% of the subsequent year's budget and therefore, falls within the 4% statutory limit. This amount is available for spending at the discretion of the School District. Although the fund balance decrease by \$445,512 from the prior year, the School District was able to increase funds in the restricted component of fund balance for Tax Certiorari claims, Workers Compensation, and Capital Projects. The remainder of the restricted fund balance has been restricted for Employee Benefits Accrued Liabilities payable at retirement. This reserve decreased to more adequately reflect contractual benefits.
- The results of operations as a whole are reported in the Statement of Activities and Changes in Net Position. The School District's net position decreased by \$4,822,803 during the fiscal year due to the impact of the requirements of GASB Statement No. 45 that requires the recognition of OPEB expenses and the provisions of GASB Statement No. 68 that requires the recognition of pension expense for ERS and TRS pension liabilities.
- During the current fiscal year, the School District did not issue any new bonded indebtedness for construction. The School District made payments of \$2,305,000 toward its capital bonded indebtedness.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in more detail than the entity-wide statements.

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The *governmental fund 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.
- *Fiduciary funds statements* provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others, including the employees of the School District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

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

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

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The day-to-day operating activities of the School District, such as instruction and special education.	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balance. 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 inflows-outflows of resources/ liability information	All assets, deferred inflows/outflows of resources, and liabilities, both financial and capital, short-term and long-term debt	Assets, deferred inflows/outflows of deferred resources, and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/out flow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue 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.

A. District-Wide Statements

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets, deferred inflow/outflows of resources, and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

A. District-Wide Statements (Continued)

The two district-wide statements report the School District's *net position* and how they have changed. Net position – the difference between the School District's assets, deferred inflows/outflows of resources, and liabilities – are one way to measure the School District's financial health or *position*.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

In the district-wide financial statements, the School District's activities are shown as *Governmental activities*. Most of the School 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.

Net position of the governmental activities differ from the governmental fund balance because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources, (dollars), are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balance.

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expense using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets.
 - Restricted net position has constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

B. Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The School District has two kinds of funds:

- *Governmental Funds*: Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General Fund, Special Aid Fund, School Lunch Fund, and Capital Projects Fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- *Fiduciary Funds*: The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School 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 School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

3. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

A. Net Position

Table A-2 Condensed Statement of Net Position

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Current and other assets	\$ 11,355,295	\$ 15,895,591	\$ (4,540,296)	-28.6%
Non-current assets	42,334,486	55,371,750	(13,037,264)	-23.5%
Total assets	<u>53,689,781</u>	<u>71,267,341</u>	<u>(17,577,560)</u>	<u>-24.7%</u>
Deferred outflows of resources	16,627,671	6,035,321	10,592,350	175.5%
Total Assets and Deferred Outflows	<u>\$ 70,317,452</u>	<u>\$ 77,302,662</u>	<u>\$ (6,985,210)</u>	<u>-9.0%</u>
Current liabilities	\$ 9,126,329	\$ 9,121,357	\$ 4,972	0.1%
Long-term liabilities	92,232,574	89,949,920	2,282,654	2.5%
Total liabilities	<u>101,358,903</u>	<u>99,071,277</u>	<u>2,287,626</u>	<u>2.3%</u>
Deferred inflows of resources	1,203,442	5,653,475	(4,450,033)	-78.7%
Net position:				
Net investment in capital assets	8,121,902	3,797,137	4,324,765	113.9%
Restricted	2,687,315	2,581,185	106,130	4.1%
Unrestricted	<u>(43,054,110)</u>	<u>(33,800,412)</u>	<u>(9,253,698)</u>	<u>27.4%</u>
Total net position	<u>(32,244,893)</u>	<u>(27,422,090)</u>	<u>(4,822,803)</u>	<u>17.6%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 70,317,452</u>	<u>\$ 77,302,662</u>	<u>\$ (6,985,210)</u>	<u>-9.0%</u>

The largest component of the School District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending.

Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. There is a negative balance of unrestricted net position, which is \$9,253,698 higher than the previous year and is primarily a result of the recognition of the OPEB liabilities. Overall, net position decreased by \$6,985,210 from the prior year, primarily from the recording of an increase in the net pension liability of TRS as a result of the change in the discount rate from 8% to 7.5%.

The current and other assets decrease of \$4,540,296 in 2016-17 is due to the payout of borrowed funds held in the Capital Fund related to the Meszaros Field, East Field and Dows Lane school improvements projects. This decrease was a result of the project in nearing completion stage. Offsetting this is the increase of \$4,324,765 in Net Investment in Capital Assets.

The deferred outflows of resources increased over the prior year balance by \$10,592,350 due to the changes of assumptions between projected and actual earnings on pension plan investments as discussed in Note 7 on page 36.

3. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities and Changes in Net Position. The School District's net position decreased by \$4,822,803 during the fiscal year due to the impact of the requirements of GASB Statement No. 45 that requires recognition of OPEB expenses and the provisions of GASB Statement No. 68 that requires the recognition of pension expenses. A summary for the years ended June 30, 2017 and 2016 are as follows:

Table A-3 Changes in Net Position

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
<u>Revenues</u>				
Program Revenue:				
Charges for services	\$ 1,441,759	\$ 1,319,358	\$ 122,401	9.3%
Operating grants	1,702,588	1,488,263	214,325	14.4%
General revenues:				
Real property taxes	46,854,825	46,680,888	173,937	0.4%
Other tax items	5,219,138	5,382,266	(163,128)	-3.0%
Use of money and property	426,674	368,940	57,734	15.6%
Sale of property/compensation for loss	10,161	9,800	361	3.7%
Unrestricted State aid	2,912,176	2,547,603	364,573	14.3%
Other	444,027	577,034	(133,007)	-23.1%
Total revenues	<u>\$ 59,011,348</u>	<u>\$ 58,374,152</u>	<u>\$ 637,196</u>	<u>1.1%</u>
<u>Expenses</u>				
General support	8,447,992	7,386,593	1,061,399	14.4%
Instruction	51,590,804	45,537,419	6,053,385	13.3%
Pupil transportation	2,250,649	2,054,084	196,565	9.6%
Debt service - Interest	975,464	1,959,680	(984,216)	-50.2%
School lunch program	569,242	619,427	(50,185)	-8.1%
Total expenses	<u>63,834,151</u>	<u>57,557,203</u>	<u>6,276,948</u>	<u>10.9%</u>
Increase (decrease) in net position	<u>\$ (4,822,803)</u>	<u>\$ 816,949</u>	<u>\$ (5,639,752)</u>	<u>-690.3%</u>

The School District's fiscal year 2017 revenues totaled \$59,011,348. Real property taxes (including other tax items) and unrestricted state aid accounted for most of the School District's revenue by contributing \$0.88 and \$0.05, respectively, of every dollar raised. Other changes from 2015-16 to 2016-17 are as follows:

- Program revenues increased overall by \$336,726 from prior year due to an increase in tuition received from other school districts.
- The School District received \$75,969 in unrestricted interest earnings in 2016-17, \$51,810 more than it received in the prior year as a result of an increase in interest rates and participation in an investment cooperative yielding more favorable rates.
- Unrestricted State Aid allocated to the School District increased by \$364,573 from prior year amounts as a result of changes to the final Legislative enacted budget.
- Overall, Charges for Services, Operating Grants, Real Property Taxes, and Unrestricted State Aid, all saw an increase, and therefore net out the decrease in Other Revenues and resulting in the increase of total revenues by \$637,196 during the fiscal year.

3. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

B. Changes in Net Position (Continued)

The School District's fiscal year 2017 expenses totaled \$63,834,151. Costs to support general instruction and transportation accounted for 79% of School District expenses. The School District's general support activities, including facility expenses, accounted for 13% of total costs. Other changes are as follows:

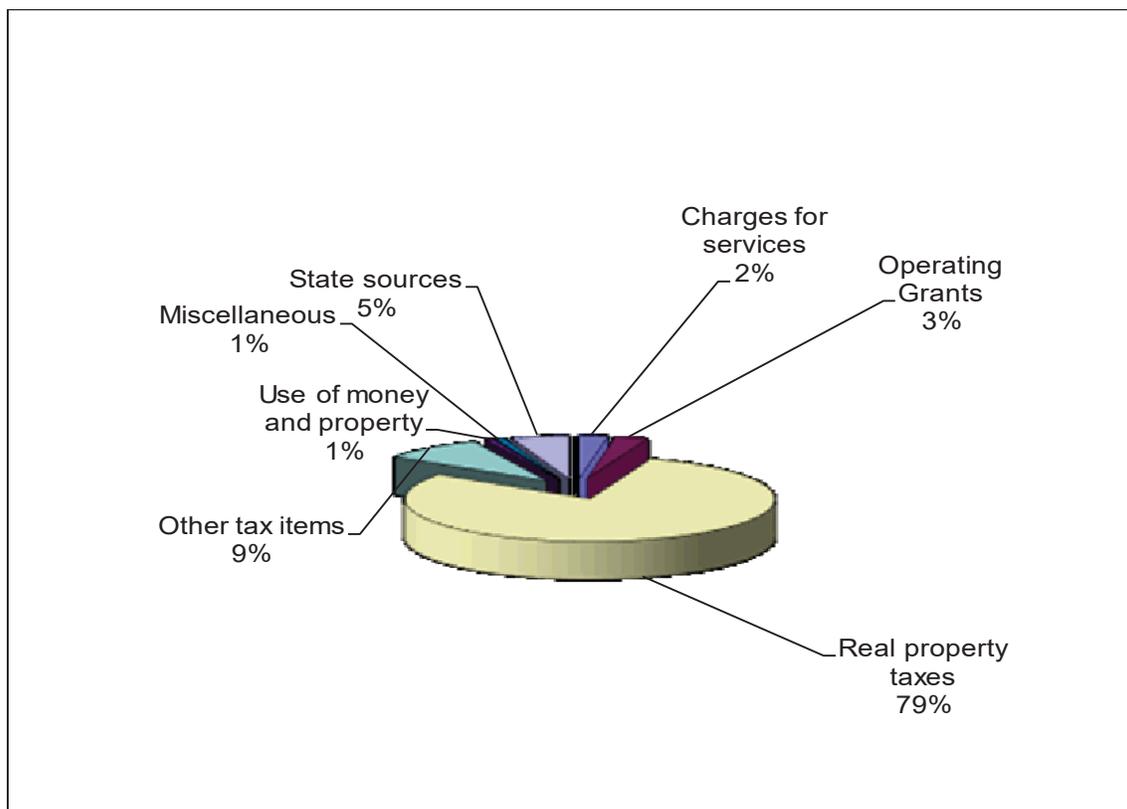
- General Support increased from the prior year primarily due to greater number of repair and maintenance projects throughout the district wide facilities.
- Instructional Support increased by \$6,053,385 or 13.3% from prior year due to the overall mandates imposed on the School District as a result of GASB 68 reporting requirements. As a result, an increase in the TRS pension expense was recognized in the district- wide financial statements, which increased the net pension liability due to TRS's lowering the discount rates from 8.0% to 7.5%.
- Pupil transportation costs increased by \$196,565. This was a result of rising contract transportation costs and an increase in the number of resident students attending private and special education schools located outside the School District's borders.

The School District's continued financial health, as a whole, can be credited to:

- Long-range financial planning in all programs;
- Consistent School District goals which are valued and fostered;
- Continued strong leadership of the School District's Board and administration;
- Constant evaluation of ways to contain costs through increased efficiencies.

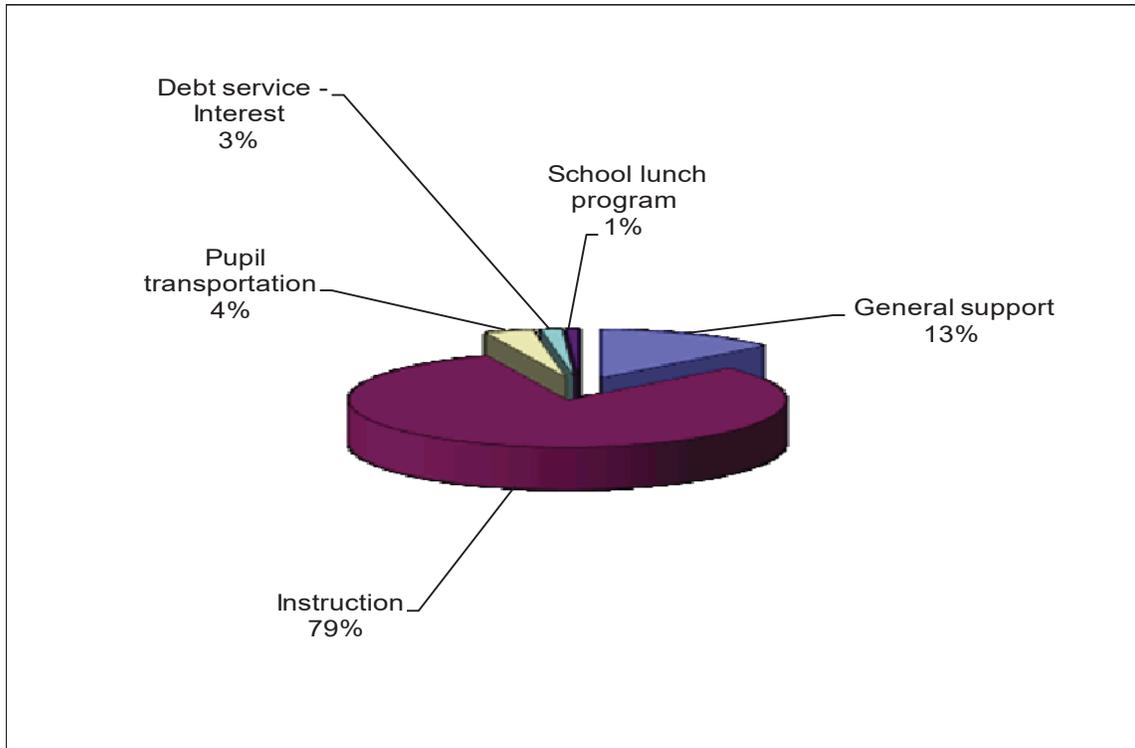
As indicated on the charts located on the following page, the School District relies upon real property taxes and other tax items (STAR & Pilot) as its primarily revenue source. The School District's instruction costs account for 79% of it expenses.

Table A-4 Sources of Revenue for Fiscal Year 2017:



3. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-5 Expenses for Fiscal Year 2017:



4. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT FUNDS

As of June 30, 2017, the School District's combined governmental funds reported a total fund balance of \$6,157,340, a decrease of \$3,849,064 or 38% from the prior year. A decrease in the total fund balance of the Capital Fund of \$3,479,761 was a primary factor driving the overall decrease in combined total fund balances from the prior year. This decrease is attributed to the payout of borrowed funds held in the Capital Fund related to the Meszaros Field Project, East Field Project and Dows Lane School improvements as the project is nearing completion. Despite the overall decrease, the unassigned fund balance of the General Fund was \$2,364,020 or 4.0% of the 2017-2018 School District's budget.

4. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT FUNDS (Continued)

Table A-6 Governmental Funds Highlights

	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Total % Change
General Fund				
Restricted for Tax Certiorari	\$ 1,541,753	\$ 1,336,831	\$ 204,922	15%
Restricted for Employee Benefit Accrued Liabilities	502,949	854,354	(351,405)	-41%
Restricted for Workers' Compensation	341,273	190,000	151,273	80%
Restricted for Capital Projects	301,340	200,000	101,340	51%
Assigned	583,924	1,166,386	(582,462)	-50%
Unassigned	2,364,020	2,333,200	30,820	1%
Total Fund Balance - General	<u>5,635,259</u>	<u>6,080,771</u>	<u>(445,512)</u>	<u>-7%</u>
School Lunch Fund				
Nonspendable	3,323	-	3,323	100%
Assigned	184,062	111,176	72,886	66%
Total Fund Balance - School Lunch	<u>187,385</u>	<u>111,176</u>	<u>76,209</u>	<u>69%</u>
Capital Fund				
Assigned	334,696	3,814,457	(3,479,761)	-91%
Total Fund Balance - Capital	<u>334,696</u>	<u>3,814,457</u>	<u>(3,479,761)</u>	<u>-91%</u>
Total Fund Balance - All Funds	<u>\$ 6,157,340</u>	<u>\$ 10,006,404</u>	<u>\$ (3,849,064)</u>	<u>-38%</u>

The School District's voter approved the General Fund adopted budget for the year ended June 30, 2017 was \$58,330,000. This amount was increased by encumbrances carried forward from the prior year in the amount of \$636,386 and budget revisions from reserves in the amount of \$375,940 from the Tax Certiorari and Employee Benefits Accrued Liability. This resulted in a final budget of \$59,342,326. The majority of the funding was real property taxes and STAR revenue of \$50,890,214.

On May 16, 2017 the School District's residents authorized the proposed 2017-18 budget in the amount of \$59,100,494.

5. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2017, the School District had Capital Assets of \$42,334,486, net of accumulated depreciation, invested in broad range of capital assets, including land, buildings and improvements and machinery and equipment. The change in capital assets, net of accumulated depreciation is outlines below.

5. CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

A. Capital Assets (Continued)

Table A-7 Capital Assets (Net of Accumulated Depreciation)

<u>Category</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Land	\$ 793,200	\$ 793,200	\$ -	0.0%
Construction in progress	2,823,105	359,128	2,463,977	686.1%
Land improvements	1,777,315	2,039,989	(262,674)	-12.9%
Buildings and improvements	36,424,966	37,021,224	(596,258)	-1.6%
Furniture & Equipment	515,900	459,892	56,008	12.2%
Total	<u>\$ 42,334,486</u>	<u>\$ 40,673,433</u>	<u>\$ 1,661,053</u>	<u>4.1%</u>

The total increase of \$1,661,053 from 2016 to 2017 is due to the capital construction projects related to the Meszaros Field Project, East Field Project, and Dows Lane renovations during the fiscal year. More detailed information about the School District's capital assets is presented in Note 4 in the notes to financial statements on page 33.

B. Debt Administration

The School District had general obligation and other long-term debt outstanding as follows:

Table A-8 Outstanding Long-Term Liabilities

<u>Category</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>
General obligation bonds, including unamortized premium	\$ 37,277,582	\$ 40,356,296	\$ (3,078,714)	-7.6%
Bond anticipation note	700,000	1,400,000	(700,000)	-50.0%
Other post employment benefits	53,135,242	46,023,058	7,112,184	15.5%
Judgments and claims	634,234	2,169,688	(1,535,454)	-70.8%
Net pension liability	3,173,350	2,842,994	330,356	11.6%
Other long-term liabilities	991,337	1,676,327	(684,990)	-40.9%
Total	<u>\$ 95,911,745</u>	<u>\$ 94,468,363</u>	<u>\$ 1,443,382</u>	<u>1.5%</u>

During the 2016-17 fiscal year, the School District did not issue any new construction bonds to finance the cost of new additions and alterations to School District facilities nor did it enter into any new installment purchase agreements to fund the purchase of equipment. The School District is paying down its bond debt by paying \$2,720,000 of outstanding bonds and \$238,523 of other debt. The School District's Bond Anticipation Note (BAN) was decreased during the year by \$700,000 from \$1,400,000. Other post-employment benefits obligation saw an increase of \$7,112,184. The full amount is being amortized over 30 years.

At June 30, 2017, the School District reported a liability of \$1,621,517 for its proportionate share of the net pension liability of ERS and \$1,551,833 for TRS. As mentioned previously, these shares of New York State pension liabilities are now required by GASB 68 to be disclosed on the School District's statements; however amounts due are payable by New York State to School District pensioners. The net pension liability for ERS was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The net pension liability for TRS was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

5. CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

B. Debt Administration (Continued)

The judgement and claims decreased by \$1,535,454 from prior year reflected more the timing of when tax certiorari claims are approved and paid. Several claims paid in 2016-17 fiscal year had been accrued in 2016.

The net impact of the above-mentioned factors increased the School District's long term liabilities by \$1,443,382. More detailed information about the School District's long-term liabilities is presented in the notes to the financial statements (Note 5 Long Term Debts).

6. FACTORS BEARING ON THE FUTURE OF THE DISTRICT

The School District and Board monitor its fiscal health through monthly financial reports and analyses and utilize various audit methods. These analyses and audits assist in identifying areas of potential financial stress, developing realistic budgets that serve the academic and emotional needs of students, as well as, in making timely decisions when faced with important financial decisions. There are four types of auditors that assist in the School District setting: claims auditor, internal auditor, external auditor, and State auditors. Each has a very important role in ensuring that the School District is financially solvent and that the School Board upholds its fiduciary responsibilities to its community. They each inform that the School District's financial operations are performing in accordance with state laws and/or existing School Board policies and administrative regulations.

At the time the financial statements were prepared and audited, the School District is aware of several unsettled tax certiorari cases. While the School District has settled several significant tax certiorari cases in recent years, other cases continue to be brought forward. The results of these tax certiorari cases could impact the financial health of the future budgets, however, the continued funding of the tax certiorari reserves serves to mitigate this risk.

7. CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Carol Stein
Assistant Superintendent for Business
Irvington Union Free School District
40 North Broadway
Irvington, NY 10533
Email: Carol.Stein@Irvingtonschools.org

IRVINGTON UNION FREE SCHOOL DISTRICT**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2017****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

CURRENT ASSETS:	
Cash - Unrestricted	\$ 7,806,767
Cash - Restricted	2,274,330
State and federal aid receivable	111,940
Accounts receivable	117,762
Inventory	3,323
Due from other governments	<u>1,041,173</u>
Total current assets	11,355,295
NON CURRENT ASSETS:	
Capital assets, net	<u>42,334,486</u>
Total non current assets	42,334,486
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources - pensions ERS	1,267,528
Deferred outflows of resources - pensions TRS	<u>15,360,143</u>
Total deferred outflows of resources	<u>16,627,671</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 70,317,452</u></u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	\$ 1,661,066
Accrued interest	249,203
Due to other governments	180,065
Due to Teachers' Retirement System	3,030,575
Due to Employees' Retirement System	297,121
Unearned revenue	29,128
Current portion of long term debt	<u>3,679,171</u>
Total current liabilities	<u>9,126,329</u>
LONG-TERM LIABILITIES:	
Bond anticipation note	700,000
Bonds payable, net of current portion and premium	34,462,582
Net pension liability - TRS	1,551,833
Net pension liability - ERS	1,621,517
Other post employment benefits	53,135,242
Judgments and claims	23,427
Installment debt	285,319
Compensated absences payable	<u>452,654</u>
Total long-term liabilities	<u>92,232,574</u>
DEFERRED INFLOWS OF RESOURCES:	
Gain on debt refunding	48,723
Deferred inflows of resources - pensions ERS	283,622
Deferred inflows of resources - pensions TRS	<u>871,097</u>
Total deferred inflows of resources	<u>1,203,442</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>102,562,345</u>
NET POSITION	
Net investment in capital assets	8,121,902
Restricted	2,687,315
Unrestricted	<u>(43,054,110)</u>
TOTAL NET POSITION	<u>(32,244,893)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 70,317,452</u></u>

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Program Revenue</u>		Net (Expense)
	<u>Expenses</u>	Charges for <u>Services</u>	Revenue and Changes in <u>Net Position</u>
		Operating <u>Grants</u>	
FUNCTIONS/PROGRAMS:			
General support	\$ 8,447,992	\$ -	\$ (8,447,992)
Instruction	51,590,804	912,294	(49,395,203)
Pupil transportation	2,250,649	-	(1,947,354)
Debt service - Interest	975,464	-	(975,464)
School lunch program	569,242	529,465	76,209
	<u>\$ 63,834,151</u>	<u>\$ 1,441,759</u>	<u>(60,689,804)</u>
TOTAL FUNCTIONS AND PROGRAMS			
GENERAL REVENUE:			
Real property taxes			46,854,825
Other tax items			5,219,138
Use of money and property			426,674
Sale of property and compensation for loss			10,161
Miscellaneous			444,027
Unrestricted State aid			<u>2,912,176</u>
			<u>55,867,001</u>
TOTAL GENERAL REVENUE			<u>(4,822,803)</u>
CHANGE IN NET POSITION			<u>(27,422,090)</u>
TOTAL NET POSITION - beginning of year			<u>\$ (32,244,893)</u>
TOTAL NET POSITION - end of year			<u>\$ (32,244,893)</u>

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

BALANCE SHEETS - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS TO GOVERNMENT-WIDE NET POSITION
JUNE 30, 2017

	Governmental Fund Types				Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	
ASSETS:					
Cash - Unrestricted	\$ 6,734,436	\$ 31,446	\$ 212,264	\$ 828,621	\$ 7,806,767
Cash - Restricted	2,274,330	-	-	-	2,274,330
Accounts receivable	6,689	94,010	-	-	100,699
Due from other funds	391,066	-	-	33,232	424,298
Due from other governments	748,316	-	-	-	748,316
State and federal aid receivable	111,940	292,486	371	-	404,797
Prepaid expenditures	-	-	3,323	-	3,323
TOTAL ASSETS	\$ 10,266,777	\$ 417,942	\$ 215,958	\$ 861,853	\$ 11,762,530
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 1,089,769	43,939	\$ 201	\$ 527,157	\$ 1,661,066
Due to other funds	33,232	374,003	-	-	407,235
Due to other governments	180,065	-	-	-	180,065
Due to Teachers' Retirement System	3,030,575	-	-	-	3,030,575
Due to Employees' Retirement System	297,121	-	-	-	297,121
Unearned revenue	756	-	28,372	-	29,128
TOTAL LIABILITIES	4,631,518	417,942	28,573	527,157	5,605,190
FUND BALANCE:					
Nonspendable	-	-	3,323	-	3,323
Restricted:					
Tax certiorari	1,541,753	-	-	-	1,541,753
Employee benefit accrued liabilities	502,949	-	-	-	502,949
Workers compensation	341,273	-	-	-	341,273
Capital	301,340	-	-	-	301,340
Total restricted fund balance	2,687,315	-	-	-	2,687,315
Assigned					
Other	161,424	-	184,062	334,696	680,182
Appropriated for subsequent years expenditures	422,500	-	-	-	422,500
Total assigned fund balance	583,924	-	184,062	334,696	1,102,682
Unassigned	2,364,020	-	-	-	2,364,020
TOTAL FUND BALANCE	5,635,259	-	187,385	334,696	6,157,340
TOTAL LIABILITIES AND FUND BALANCE	\$ 10,266,777	\$ 417,942	\$ 215,958	\$ 861,853	\$ 11,762,530

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balance per above	\$ 6,157,340
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	42,334,486
Pension plans' activity required to be recorded in the government-wide statements:	
Deferred outflows or resources	16,627,671
Net pension liability	(3,173,350)
Deferred inflows of resources	(1,154,719)
Gain on bond refunding recorded as a payment on the fund level	(48,723)
Long-term liabilities, including bonds payable, installment purchase debt and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	(39,603,153)
Other post employment benefits liability	(53,135,242)
Interest payable at June 30, 2017, in the government-wide statements under full accrual accounting	(249,203)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (32,244,893)

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects		
REVENUE:						
Real property taxes	\$ 46,854,825	\$ -	\$ -	\$ -	\$ -	\$ 46,854,825
Other tax items	5,219,138	-	-	-	-	5,219,138
Charges for services	912,294	-	-	-	-	912,294
Use of money and property	426,674	-	-	-	-	426,674
Sale of property and compensation for loss	10,161	-	-	-	-	10,161
Miscellaneous	387,360	132,106	-	1,402	-	520,868
State sources	3,840,328	174,480	6,957	-	-	4,021,765
Federal sources	-	407,129	109,029	-	-	516,158
Sales - School lunch	-	-	529,465	-	-	529,465
Total revenue	57,650,780	713,715	645,451	1,402	-	59,011,348
EXPENDITURES:						
General support	6,269,033	-	-	-	-	6,269,033
Instruction	32,535,061	682,611	-	-	-	33,217,672
Pupil transportation	2,166,409	50,765	-	-	-	2,217,174
Employee benefits	12,077,503	23,736	-	-	-	12,101,239
Debt service - Principal	3,658,523	-	-	-	-	3,658,523
Debt service - Interest	1,346,366	-	-	-	-	1,346,366
Cost of sales	-	-	569,242	-	-	569,242
Capital outlay	-	-	-	3,481,163	-	3,481,163
Total expenditures	58,052,895	757,112	569,242	3,481,163	-	62,860,412
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(402,115)	(43,397)	76,209	(3,479,761)	-	(3,849,064)
OTHER SOURCES AND (USES):						
Operating transfers in	-	43,397	-	-	-	43,397
Operating transfers (out)	(43,397)	-	-	-	-	(43,397)
Total other sources (uses)	(43,397)	43,397	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(445,512)	-	76,209	(3,479,761)	-	(3,849,064)
FUND BALANCE - beginning of year	6,080,771	-	111,176	3,814,457	-	10,006,404
FUND BALANCE - end of year	\$ 5,635,259	\$ -	\$ 187,385	\$ 334,696	\$ -	\$ 6,157,340

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balance - Total governmental funds	\$ (3,849,064)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	3,763,562
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(2,102,510)
Pension (expense) income resulting from the GASB 68 related actuary reporting is not recorded as an (expenditure) income in the government funds but is recorded in the statement of activities	24,966
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	3,658,523
Premiums from the issuance on bonds that are revenue sources in the governmental funds but are amortized on the statement of net position	358,714
Expenses related to long term tax certiorari claims in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(23,466)
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds as follows:	
Accrued interest	23,444
Compensated absences	446,467
Amortization of deferred gain on refunding	(11,255)
Accrued post-employment benefits do not require the expenditure of current resources and are, therefore are not reported as expenditures in the governmental funds	<u>(7,112,184)</u>
Change in net position - Governmental activities	<u>\$ (4,822,803)</u>

IRVINGTON UNION FREE SCHOOL DISTRICT

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017**

	Private Purpose <u>Trusts</u>	<u>Agency</u>
ASSETS:		
Cash	\$ -	\$ 104,414
Cash - restricted	<u>125,980</u>	<u>33,687</u>
Total assets	<u>\$ 125,980</u>	<u>\$ 138,101</u>
LIABILITIES:		
Extraclassroom activity balances	-	33,687
Due to other funds	-	17,063
Other liabilities	<u>-</u>	<u>87,351</u>
Total liabilities	<u>\$ -</u>	<u>\$ 138,101</u>
NET POSITION:		
Reserved for private purposes	<u>\$ 125,980</u>	

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Private Purpose <u>Trusts</u>
ADDITIONS:	
Contributions	\$ <u>5,469</u>
Total Additions	<u>5,469</u>
DEDUCTIONS:	
Scholarships and other private purposes	<u>12,550</u>
NET DECREASE	(7,081)
NET POSITION - beginning of year	<u>133,061</u>
NET POSITION - end of year	<u>\$ 125,980</u>

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

Irvington Union Free School District provides free K-12 public education to students living within its geographic borders.

The financial statements of Irvington Union Free School District (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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.

Certain significant accounting principles and policies utilized by the School District are described below:

Reporting Entity

The Irvington Union Free School District is governed by the Laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The BOE has authority to make decisions, power to appoint management and accountability for all fiscal matters.

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

Extraclassroom Activity Funds

The extraclassroom activity funds of the School District represent funds of the students of the School District. The board of education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School 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 found at the School District's business office. The School District accounts for assets held as an agent for various student organizations in an agency fund.

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

The School District is a component school district in Southern Westchester Board of Cooperative Education Services (BOCES). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which 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 §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 §1950 of the New York State Education Law. All BOCES property is held by the BOCES board as a corporation (§1950(6)). In addition, BOCES boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school 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, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

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

Basis of Presentation

Government-Wide Statements

The statement of net position and the statement of activities present financial information about the School District's governmental activities. These 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 revenue, and other exchange and non-exchange 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 direct expenses and program revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

The fund statements provide information about the School District's funds, including fiduciary funds. Separate 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 School District reports the following major governmental funds:

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

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

- *Special Aid Fund* - This is a special revenue fund that accounts for the proceeds of specific revenue sources, such as federal, state, or local grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- *School Lunch Fund* – This is a special revenue fund that is used to record the operations of the breakfast and lunch programs of the School District.
- *Capital Project Fund* - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The School District reports the following fiduciary funds:

- *Fiduciary Funds* - These funds are used to account for fiduciary activities. Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the School District-wide financial statements, because their resources do not belong to the School District, and are not available to be used. There are two types of fiduciary funds:

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

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the School District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholdings that are payable to other jurisdictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including other post employment benefits liabilities, net pension asset and liability, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The School District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the School 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 governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The School District considers all revenue reported in the governmental funds to be available if the revenue is collected within ninety 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.

Cash

The School District's cash consist of cash on hand and demand deposits. New York State law governs the School District's investment policies. Resources must be deposited in 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.

Restricted Cash

Restricted cash represents cash 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 \$2,274,330 within the governmental funds.

Property Taxes

Real property taxes are levied annually by the board of education no later than July 1 and are levied and payable in September and January. Taxes are billed and collected by the Town of Greenburgh. The Town guarantees the full payment of the School District warrant and assumes responsibility for uncollected taxes.

Accounts Receivable

Accounts receivable include amounts due from other governments and individuals for services provided by the School District. Receivable are recorded and revenue recognized as earned or as expenses are incurred. Allowances are recorded when appropriate.

Inventories

Inventories in the School Lunch Fund consist of food and supplies and are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at a stated value which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased. The School District uses the consumption method to relieve inventory.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Interfund transactions

The operations of the School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The School District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid with one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the statement of net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all significant 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 School District's practice to settle these amounts at a net balance based upon the right of legal offset.

Capital Assets, Net

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. Donated assets are reported at estimated fair 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 government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 5,000	SL	20-30 years
Buildings and improvements	\$ 5,000	SL	20-50 years
Furniture and equipment	\$ 5,000	SL	7-20 years

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position sometimes reports 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. The government has one item that qualifies for reporting in this category:

- Deferred charges resulting from pension contributions made subsequent to the measurement date of the plan. The amortization is expensed against pension expense in future periods.
- Deferred charges resulting from differences between projected and actual earnings on pension plan investments of the plan. The amortization is expensed against pension expense in future periods.

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the statement of net position 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 and so will not be recognized as an inflow of resources (revenue) until then.

The government has the following items that qualify for reporting in this category:

- Deferred charge (gain) on a bond refunding. A deferred charge on refunding results from the difference in the carrying value of the refunding debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amortization is expensed against interest expense in future periods.
- The net amount of the School District's balances of deferred inflows of resources related to pensions is reported in the government-wide statement of net position as deferred inflows of resources. This represents the effect of the net change in the School District's proportion of the collective net pension asset or liability and the difference during the measurement period between the School District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Compensated Absences

School District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts.

Upon resignation or death, employees may receive a payment based on unused accumulated vacation leave. Upon retirement, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with accounting principles generally accepted in the United States of America, an accrual for accumulated sick leave and vacation benefits are included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

Other Post Employment Benefits

In addition to providing the pension benefits through the New York State Employees' Retirement System and the New York State Teachers' Retirement System, the School District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The School District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level the School District recognizes the cost of providing health care insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the general fund in the year paid.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Other Post Employment Benefits (Continued)

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the School District has recorded in the government-wide statement of net position the required other post-employment benefits liability of \$53,135,242 as of June 30, 2017. The financial disclosures relating to the School District's other post-employment benefits are reflected in Note 8.

Encumbrances

Encumbrance accounting is used for budgetary control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities.

Unearned Revenue

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them. The School District received prepaid lunch deposits in advance in the School Lunch Fund of \$28,372. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the government-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 compensated absences 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 School District's future obligations or future economic outflows. The liabilities are reported as due in one year or as long-term liabilities in the statement of net position.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the School 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.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance/Net Position Classifications

District-Wide Statements

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

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

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

Unrestricted net position – reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the School District.

Fund Balance – Reservations and Designations

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

Non-spendable fund balance – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted fund balance – 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 School District has available the following restricted fund balances.

Capital

Capital reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund under restricted fund balance.

Repair

Repair reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The board of education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance – Reservations and Designations (Continued)

Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated.

Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund under restricted fund balance.

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of the School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of the School District property or capital improvement. The reserve is accounted for in the general fund under restricted fund balance.

Insurance

Insurance reserve is 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. The reserve is accounted for in the general fund under restricted fund balance.

Liability Claims and Property Loss

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance – Reservations and Designations (Continued)

Tax Certiorari

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

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2017.

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$161,424. As of June 30, 2017, the School District's encumbrances were classified as follows:

General support	\$	151,366
Instruction		<u>10,058</u>
Total encumbrances	\$	<u><u>161,424</u></u>

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance – Reservations and Designations (Continued)

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Non-spendable 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 Fund Balance Spending Policy

The School District's policy is to apply expenditures against non-spendable 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, non-spendable 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.

Adoption of New Relevant Accounting Standards

As disclosed in Note 11, the School District has adopted and implemented the Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures* for its year ended June 30, 2017.

Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements

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

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

Total fund balances of the School District's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories:

- **Long-Term Revenue and Expense Differences**
Long-term revenue differences arise because governmental funds report revenue only when it is considered “available”, whereas the statement of activities reports revenue 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.
- **Capital Related Differences**
Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.
- **Long-Term Debt Transaction Differences**
Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund 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.

2. **CASH**

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

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including trust funds	\$ 11,098,385	\$ 10,345,178
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 10,598,385	
Covered by FDIC insurance	<u>500,000</u>	
Total	<u>\$ 11,098,385</u>	

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.

2. CASH (Continued)

Restricted cash consists of the following:

General fund:

Cash on deposit for reserves	
Tax certiorari	\$ 1,541,753
Employee benefit accrual liability	502,949
Workers compensation	341,273
Capital	<u>301,340</u>
 Total general fund restricted cash	 <u>\$ 2,687,315</u>

Trust and agency fund:

Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	<u>\$ 159,667</u>
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3. PARTICIPATION IN BOCES

During the year, the School District was billed \$2,134,947 for BOCES administrative and program costs.

The School District's share of BOCES aid amounted to \$466,503.

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

4. CAPITAL ASSETS, NET

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

	July 1, 2016 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2017 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 793,200	\$ -	\$ -	\$ 793,200
Construction in progress	<u>359,128</u>	<u>2,548,545</u>	<u>84,568</u>	<u>2,823,105</u>
 Total non-depreciable cost	 <u>\$ 1,152,328</u>	 <u>\$ 2,548,545</u>	 <u>\$ 84,568</u>	 <u>\$ 3,616,305</u>
Capital assets that are depreciated:				
Land improvements	\$ 5,334,698	\$ -	\$ -	\$ 5,334,698
Buildings and improvements	65,301,696	1,158,186	-	66,459,882
Furniture & Equipment	<u>1,215,964</u>	<u>141,399</u>	<u>26,745</u>	<u>1,330,618</u>
 Total depreciable historical cost	 <u>71,852,358</u>	 <u>1,299,585</u>	 <u>26,745</u>	 <u>73,125,198</u>
Less accumulated depreciation:				
Land improvements	3,294,709	262,674	-	3,557,383
Buildings and improvements	28,280,472	1,754,444	-	30,034,916
Furniture & Equipment	<u>756,071</u>	<u>85,392</u>	<u>26,745</u>	<u>814,718</u>
 Total accumulated depreciation	 <u>32,331,252</u>	 <u>2,102,510</u>	 <u>26,745</u>	 <u>34,407,017</u>
 Total depreciable cost, net	 <u>\$ 39,521,106</u>	 <u>\$ (802,925)</u>	 <u>\$ -</u>	 <u>\$ 38,718,181</u>
 Total investment in capital assets	 <u>\$ 40,673,434</u>	 <u>\$ 1,745,620</u>	 <u>\$ 84,568</u>	 <u>\$ 42,334,486</u>

4. CAPITAL ASSETS, NET (Continued)

Depreciation expense of \$2,102,510 for the year ended June 30, 2017, was allocated to specific functions as follows:

General support	\$ 294,352
Instruction	<u>1,808,158</u>
Total Depreciation	<u>\$ 2,102,510</u>

5. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid	\$ 1,346,366
Less: interest accrued in prior year	(272,647)
Less: premium amortization	(358,714)
Plus: amortization on loss on refunding	11,256
Plus: interest accrued in current year	<u>249,203</u>
Total expense	<u>\$ 975,464</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government activities:					
Bonds and notes payable:					
General obligation debt:					
Serial bonds payable	\$ 37,995,000	\$ -	\$ 2,720,000	\$ 35,275,000	\$ 2,815,000
Premium on bonds	2,361,296	-	358,714	2,002,582	-
Bond anticipation note	<u>1,400,000</u>	<u>700,000</u>	<u>1,400,000</u>	<u>700,000</u>	<u>-</u>
Total Bonds and BANS	41,756,296	700,000	4,478,714	37,977,582	2,815,000
Other liabilities:					
Other post employment benefits	\$ 46,023,058	\$ 9,672,819	\$ 2,560,635	\$ 53,135,242	\$ -
Installment purchase debt	726,911	-	238,523	488,388	203,069
Judgment and claims	2,169,688	23,427	1,558,881	634,234	610,807
Net pension liability	2,842,994	1,551,833	1,221,477	3,173,350	-
Compensated absences	<u>949,416</u>	<u>-</u>	<u>446,467</u>	<u>502,949</u>	<u>50,295</u>
Total other liabilities	<u>52,712,067</u>	<u>11,248,079</u>	<u>6,025,983</u>	<u>57,934,163</u>	<u>864,171</u>
Total long-term liabilities	<u>\$ 94,468,363</u>	<u>\$ 11,948,079</u>	<u>\$ 10,504,697</u>	<u>\$ 95,911,745</u>	<u>\$ 3,679,171</u>

The School District has annually issued a Bond Anticipation Note (BAN) that has been determined to be long-term debt based on the estimated time of repayment being longer than one year. These funds were obtained to aid in the payment of significant tax certioraris. In the current year, the School District repaid the previous year's outstanding BAN and issued another BAN for \$700,000.

5. LONG-TERM DEBT (Continued)

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2017 Balance</u>
Refunding Bond 2014	2014	2023	2.00%-5.00%	\$ 5,640,000
Refunding Bond 2015	2015	2032	2.75%-5.00%	22,540,000
Serial Bond 2015	2016	2030	2.00%-3.00%	4,030,000
Tax Certiorari Refunds	2008	2022	3.50% - 4.00%	2,080,000
Tax Certiorari Refunds	2008	2023	4.50% - 5.00%	<u>985,000</u>
Total				<u>\$ 35,275,000</u>

The following is a summary of the maturities of bonds payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,815,000	\$ 1,236,819	\$ 4,051,819
2019	2,920,000	1,125,150	4,045,150
2020	3,035,000	1,025,556	4,060,556
2021	3,220,000	918,731	4,138,731
2022	3,360,000	773,956	4,133,956
2023-2027	9,930,000	2,435,075	12,365,075
2028-2032	<u>9,995,000</u>	<u>872,025</u>	<u>10,867,025</u>
Totals	<u>\$ 35,275,000</u>	<u>\$ 8,387,312</u>	<u>\$ 43,662,312</u>

6. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 391,066	\$ 33,232	\$ -	\$ 43,397
Special aid fund	-	374,003	43,397	-
Capital fund	33,232	-	-	-
Fiduciary funds	<u>-</u>	<u>17,063</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 424,298</u>	<u>\$ 424,298</u>	<u>\$ 43,397</u>	<u>\$ 43,397</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

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

All interfund payables are expected to be repaid within one year.

7. PENSION PLANS

New York State and Local Retirement System

The School District participates in the New York State and Local Retirement System (ERS). ERS is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), established to hold all net assets and record changes in plan net position allocated to ERS. ERS benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an employer elects to participate in ERS, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

ERS is noncontributory except for employees who joined ERS after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute between 3 to 6 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2017	\$	739,554
2016	\$	807,467
2015	\$	815,841

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

At **June 30, 2017**, the School District reported a net pension liability of \$1,621,517 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

7. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

At **June 30, 2017**, the School District's proportion was 0.0172571 percent, which was a decrease of 2.5% from its proportion measured in the prior year.

For the year ended **June 30, 2017**, the School District recognized pension expense of \$921,280. At **June 30, 2017**, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,634	\$ 246,236
Changes of Assumptions	553,970	-
Net difference between projected and actual earnings on pension plan investments	323,883	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	51,920	37,386
Contributions subsequent to the measurement date	297,121	-
	<u>\$ 1,267,528</u>	<u>\$ 283,622</u>

\$297,121 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2018	\$ 306,817
2019	306,817
2020	288,108
2021	(214,959)
Thereafter	-
	<u>\$ 686,783</u>

7. PENSION PLANS (Continued)

New York State and Local Retirement System (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8 percent indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The allocation and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2017 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of term</u>
Domestic Equity	36.0%	4.55%
International Equity	14.0%	6.35%
Private Equity	10.0%	7.75%
Real Estate	10.0%	5.80%
Absolute Return	2.0%	4.00%
Opportunistic Portfolio	3.0%	5.89%
Real Asset	3.0%	5.54%
Bonds, Cash & Mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation Indexed Bonds	<u>4.0%</u>	1.50%
	<u>100.0%</u>	

7. PENSION PLANS (Continued)

New York State and Local Retirement System (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) or 1 percent higher (8.0%) than the current rate:

	<u>1 % Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 5,178,803	\$ 1,621,517	\$ (1,386,162)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2017, were as follows (in thousands):

	<u>Pension Plan's Fiduciary Net Position</u>	<u>District's proportionate share of Plan's Fiduciary Net Position</u>	<u>District's allocation percentage as determined by the Plan</u>
Total pension liability	\$ 177,400,586	\$ 30,614	0.0172571%
Net position	<u>(168,004,363)</u>	<u>(28,993)</u>	0.0172571%
Net pension liability (asset)	<u>\$ 9,396,223</u>	<u>\$ 1,621</u>	0.0177130%
Fiduciary net position as a percentage of total pension liability	94.7%	94.7%	

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System

The School District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The system provides 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 issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

Employees who joined after April 1, 2012, contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The School District is required to contribute at an actuarially determined rate. The School District contributions made to the systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2017	\$	2,964,671
2016	\$	3,726,288
2015	\$	3,861,050

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

At **June 30, 2017**, the School District reported a liability of \$1,551,833 for its proportionate share of the net pension liability. The net pension liability was measured as of **June 30, 2016**, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At **June 30, 2017**, the School District's proportion was 0.144890 percent, which was an increase of 2 percent from its proportion measured the prior year.

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended **June 30, 2017**, the School District recognized pension expense of \$2,494,492. At **June 30, 2017** the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 504,122
Changes of Assumptions	8,840,231	-
Net difference between projected and actual earnings on pension plan investments	3,489,337	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	366,975
Contributions subsequent to the measurement date	3,030,575	-
	<u>\$ 15,360,143</u>	<u>\$ 871,097</u>

\$3,030,575 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions that will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2017	\$ 1,024,192
2018	1,024,192
2019	3,734,108
2020	2,890,974
2021	1,296,032
Thereafter	1,488,973
	<u>\$ 11,458,471</u>

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Actuarial Assumptions

The total pension liability at the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. These actuarial valuations used the following actuarial assumptions:

Inflation	2.50%										
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.										
	<table><thead><tr><th><u>Service</u></th><th><u>Rate</u></th></tr></thead><tbody><tr><td>5</td><td>4.72%</td></tr><tr><td>15</td><td>3.46%</td></tr><tr><td>25</td><td>2.37%</td></tr><tr><td>35</td><td>1.90%</td></tr></tbody></table>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Projected COLAs	1.5% compounded annually										
Investment Rate of Return	7.5% compounded annually, net of pension plan investment expense, including inflation.										

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale MP2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2016 valuation was based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of term</u>
Domestic Equity	37.0%	6.10%
International Equity	18.0%	7.30%
Real Estate	10.0%	5.40%
Alternative Investments	7.0%	9.20%
Domestic fixed Income Securities	17.0%	1.00%
Global Fixed Income Securities	2.0%	0.80%
Mortgages	8.0%	3.10%
Short - term fixed income	<u>1.0%</u>	0.10%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the net pension liability (asset) of the School District calculated using the discount rate of 7.5 percent, as well as what the School District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1 % Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 20,247,193	\$ 1,551,833	\$ (14,128,854)

7. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers plan as June 30, 2016, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 108,577,184	\$ 157,317	0.1448900%
Net position	(107,506,142)	(155,766)	0.1448900%
Net pension liability	<u>\$ 1,071,042</u>	<u>\$ 1,551</u>	0.1448900%
Fiduciary net position as a percentage of total pension liability	99.0%	99.0%	

8. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The School District provides certain other post-employment benefits (predominately health insurance) for retired employees of the School District. The School District administers the Other Post Employment Benefits Plan (the "OPEB Plan") as a single-employer defined benefit Other Post Employment Benefit Plan (OPEB).

In general, the School District provides health insurance coverage for retired employees and their survivors. Substantially all the School District's employees may become eligible for this benefit if they reach age 55 and retire with 10-20 years of service to the School District.

The Retirement Plan can be amended by action of the School District subject to applicable collective bargaining and employment agreements. The number of retired employees currently eligible to receive benefits at **June 30, 2017**, was 154.

Funding Policy

The obligations of the OPEB Plan are established by action of the School District pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0% to 25%. The School District will pay its portion of the premium for the retiree and spouse for the lifetime of the retiree. The costs of administering the OPEB Plan are paid by the School District. The School District currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. The amount paid during 2017 by the School District was \$2,160,098.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years.

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the School District's net OPEB obligation:

Annual required contribution	\$ 10,391,578
Interest on net OPEB obligation	1,840,922
Adjustment to ARC	<u>(2,559,681)</u>
Annual OPEB cost (expense)	9,672,819
Contributions made	<u>(2,560,635)</u>
Increase in net OPEB obligation	7,112,184
Net OPEB obligation - beginning of year	<u>46,023,058</u>
Net OPEB obligation - end of year	<u>\$ 53,135,242</u>
Percentage of annual OPEB cost contributed	26.5%

Trend information – The School District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>Contribution (ARC)</u>	<u>OPEB Cost Contributed</u>	<u>% of ARC Contributed</u>	<u>OPEB Obligation</u>
1/0/00	\$ 9,672,819	\$ 10,391,578	\$ 2,560,635	25%	\$ 53,135,242
1/0/00	8,988,550	9,601,839	2,235,191	23%	46,023,058
1/0/00	8,918,168	9,424,428	2,088,863	22%	39,269,699

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The OPEB Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits. In the future, the schedule will provide multi-year trend information about the value of plan assets relative to the Actuarial Accrued Liability.

Actuarial Methods and Assumptions

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

8. OTHER POST EMPLOYMENT BENEFITS (Continued)

In the July 1, 2015 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Medical care cost trend rate	8% in 2015, decreasing 0.5% per year to an ultimate rate of 5.0% in 2021
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

* As the plan is unfunded, the assumed discount rate considers that the School District's investment assets are low risk in nature, such as money market funds or certificates of deposit.

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

10. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The School District administrations prepare a proposed budget for approval by the Board of Education for the General Fund. The voters of the School 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. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. 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 funds expenditures as approved by a special referendum of the School 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.

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the governmental funds balance sheet.

11. TAX ABATEMENTS

All real property in New York State is subject to taxation unless specific legal provision grant it exempt status. Real property exemptions are granted on the basis of many different criteria, including the use to which the property is put, the owner's ability to pay taxes, the desire of the state and local governments to encourage certain economic or social activities, and other considerations. Most exemptions are granted under Article 4 of the Real Property Tax Law, but others are authorized by a wide variety of statutes ranging from Article 18-A of the Real Property Tax Law, the Agriculture and Markets Law and the Transportation Law. Certain exemptions provide full relief from taxation (wholly exempt property) and others reduce the taxes which would otherwise be payable by varying degrees (partially exempt property). Some exemptions apply to taxes levied for county, city/town, and school purposes, whereas other pertain only to certain of these purposes. Some tax exemptions are mandated by State Law, others are subject to local option and/or local determination of eligibility criteria.

The School District has one real property tax abatement agreement that are entered into by the Westchester County Industrial Development Agency (IDA). This agreement provides for abatement of real property taxes in exchange for payment in lieu of taxes (PILOT) in accordance with the IDA's Tax Exemption Policy. PILOT's are granted in accordance with various activities such as new affordable housing construction, purchase of an existing facility, development of a new facility, or the improvement or expansion of an existing facility. There are no policies for recapture of PILOTS should the applicant not meet certain criteria.

The following is the PILOT agreement and the amount of real property tax that has been abated for the year ended June 30, 2017.

<u>Agreement with</u>	<u>Purpose</u>	<u>Assessment</u>	<u>Tax Rate</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Amount of Tax Abated</u>
Tarrytown Corporate Center III	Economic Development	\$ 899,100	698.78	\$ 628,278	\$ 628,278	\$ -

12. CONTINGENCIES AND COMMITMENTS

General Information

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

The School District has various commitments with contractors for the completion of capital projects.

13. RELEVANT ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employer and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The School District is required to adopt the provisions of these Statements for the year ending June 30, 2018.

In March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The Statement addresses issues related to the presentation of payroll related measures in required supplementary information, selection of assumptions and the treatment of deviations and classification of payments made by employers to meet employee contribution requirements. The Statement takes effect for reporting periods beginning after June 15, 2016 except for the selection of assumptions in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end in which the effective date is on or after June 15, 2017. Earlier adoption is encouraged.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The School District is required to adopt the provisions of these Statements for the year ending June 30, 2019.

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The School District is required to adopt the provisions of these Statements for the year ending June 30, 2020.

The School District has not assessed the impact of these statements on its future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

IRVINGTON UNION FREE SCHOOL DISTRICT

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

REVENUE	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
LOCAL SOURCES:				
Real property taxes	\$ 46,791,745	\$ 46,791,745	\$ 46,854,825	\$ 63,080
Other tax items	5,287,469	5,287,469	5,219,138	(68,331)
Charges for services	965,900	965,900	912,294	(53,606)
Use of money and property	358,537	358,537	426,674	68,137
Sale of property and compensation for loss	-	-	10,161	10,161
Miscellaneous	495,000	495,000	387,360	(107,640)
Total local sources	53,898,651	53,898,651	53,810,452	(88,199)
State sources	3,901,349	3,901,349	3,840,328	(61,021)
Total revenue	\$ 57,800,000	\$ 57,800,000	\$ 57,650,780	\$ (149,220)

(Continued)

**IRVINGTON UNION FREE SCHOOL DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	\$ 72,243	\$ 77,219	\$ 57,622	\$ 7,934	\$ 11,663
Central administration	361,330	362,062	359,186	-	2,876
Finance	599,729	601,263	585,824	1,530	13,909
Staff	406,322	399,972	289,390	2,000	108,582
Central services	4,186,562	4,742,227	4,284,104	139,902	318,221
Special items	<u>460,547</u>	<u>694,822</u>	<u>692,907</u>	-	<u>1,915</u>
Total general support	6,086,733	6,877,565	6,269,033	151,366	457,166
INSTRUCTION:					
Instruction, administration, and improvement	1,801,233	1,935,387	1,915,654	-	19,733
Teaching - Regular school	17,531,334	17,439,869	17,346,690	8,965	84,214
Programs for children with handicapping conditions	8,292,398	8,617,311	8,562,758	-	54,553
Occupational education	132,884	58,944	58,861	-	83
Instructional media	1,711,844	1,658,274	1,618,729	1,093	38,452
Pupil services	<u>3,071,881</u>	<u>3,055,170</u>	<u>3,032,369</u>	-	<u>22,801</u>
Total instruction	32,541,574	32,764,955	32,535,061	10,058	219,836
Pupil transportation	2,120,600	2,179,798	2,166,409	-	13,389
Employee benefits	12,529,362	12,470,477	12,077,503	-	392,974
Debt service - Principal	3,658,524	3,658,524	3,658,523	-	1
Debt service - Interest	<u>1,358,207</u>	<u>1,347,432</u>	<u>1,346,366</u>	-	<u>1,066</u>
Total expenditures	58,295,000	59,298,751	58,052,895	161,424	1,084,432
OTHER FINANCING USES					
Transfers to other funds	35,000	43,575	43,397	-	178
Total expenditures and other uses	58,330,000	59,342,326	58,096,292	161,424	1,084,610
NET CHANGE IN FUND BALANCES	<u>\$ (530,000)</u>	<u>\$ (1,542,326)</u>	<u>(445,512)</u>	<u>\$ (161,424)</u>	<u>\$ (1,233,830)</u>
FUND BALANCE - beginning of year			6,080,771		
FUND BALANCE - end of year			<u>\$ 5,635,259</u>		

IRVINGTON UNION FREE SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS PLAN
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a percentage of Covered Payroll
July 1, 2015	\$ -	\$ 96,542,559	\$ 96,542,559	0.00%	\$ 27,689,459	349%
July 1, 2014	\$ -	\$ 87,964,133	\$ 87,964,133	0.00%	\$ 26,591,312	331%
July 1, 2012	\$ -	\$ 77,832,540	\$ 77,832,540	0.00%	\$ 24,491,420	318%

IRVINGTON UNION FREE SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2017**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0172571%	0.0177130%	0.0173740%							
Proportionate share of the net pension liability (asset)	\$ 1,621.5	\$ 2,843.0	\$ 586.9							
Covered-employee payroll	\$ 5,216.4	\$ 4,619.1	\$ 4,526.5							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.08%	61.55%	12.97%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.71%	90.68%	97.95%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.144890%	0.141509%	0.136039%							
Proportionate share of the net pension liability (asset)	\$ 1,551.8	\$ (14,698.3)	\$ (15,153.9)							
Covered-employee payroll	\$ 24,440.7	\$ 21,257.0	\$ 20,095.1							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.35%	-69.15%	-75.41%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.01%	110.46%	111.48%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

IRVINGTON UNION FREE SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
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NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

Contractually required contribution
 Contributions in relation to the contractually required contribution
 Contribution deficiency (excess)

\$	739.5	\$ 807.5	\$ 815.8							
\$	739.5	807.5	815.8							
\$	-	-	-							

Covered-employee payroll
 Contributions as a percentage of covered-employee payroll

\$	5,216.4	\$ 4,619.1	\$ 4,526.5							
	14.18%	17.48%	18.02%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
--	------	------	------	------	------	------	------	------	------	------

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN

Contractually required contribution
 Contributions in relation to the contractually required contribution
 Contribution deficiency (excess)

\$	2,964.6	\$ 3,726.3	\$ 3,861.1							
\$	2,964.6	3,726.3	3,861.1							
\$	-	-	-							

Covered-employee payroll
 Contributions as a percentage of covered-employee payroll

\$	24,440.7	\$ 21,257.0	\$ 20,095.1							
	12.13%	17.53%	19.21%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

OTHER INFORMATION

IRVINGTON UNION FREE SCHOOL DISTRICT

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND USE OF UNASSIGNED FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017 (UNAUDITED)**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget		\$ 58,330,000
Add: Prior year's encumbrances		<u>636,386</u>
Original budget		58,966,386
Budget revision		<u>375,940</u>
Final budget		<u>\$ 59,342,326</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget	\$ 59,100,494	
Maximum allowed (4% of 2017-18 budget)		\$ 2,364,020
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law *:		
Total fund balance:	<u>\$ 5,635,259</u>	
Less:		
Committed fund balance	-	
Restricted fund balance	2,687,315	
Assigned fund balance:		
Appropriated fund balance	422,500	
Encumbrances included in committed and assigned fund balance	<u>161,424</u>	
Total adjustments	<u>\$ 3,271,239</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 2,364,020</u>
Actual percentage		4.00%

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

IRVINGTON UNION FREE SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2017 (UNAUDITED)

Project Title	SED Project #	Budget	Expenditures			Available Balance
			Prior Years	Current Year	Total	
Dows Lane Renovations	0002-016	\$ 440,373	\$ 440,373	\$ -	\$ 440,373	\$ -
Dows Univent/HVAC Project/Gym Lighting	0002-017	680,483	16,255	664,228	680,483	-
Main Street Gym Roof & Lighting/Boiler Conversion & Controls	0004-005	331,717	293,797	37,920	331,717	-
Middle School Dust Bowl & Vestibules Project	0013-004	297,733	11,245	274,257	285,502	12,231
Meszaros Field & East Field Projects + MS/HS Boiler Controls	0007-018	<u>2,852,350</u>	<u>139,515</u>	<u>2,504,758</u>	<u>2,644,273</u>	<u>208,077</u>
		\$ 4,602,656	\$ 901,185	\$ 3,481,163	\$ 4,382,348	\$ 220,308

IRVINGTON UNION FREE SCHOOL DISTRICT

**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2017 (UNAUDITED)**

Capital assets, net		\$ 42,334,486
Deduct:		
Capital related bond anticipation notes	-	
Capital related premium on bonds payable	<u>2,002,584</u>	2,002,584
Short-term portion of capital related bonds payable	2,380,000	
Long-term portion of capital related bonds payable	29,830,000	
Less: Unspent bond proceeds	<u>-</u>	
		<u>32,210,000</u>
Net investment in capital assets		<u>\$ 8,121,902</u>

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

October 10, 2017

To the Board of Education
Irvington Union Free School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Irvington Union Free School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 10, 2017.

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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

(Continued)

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 (Continued)

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.

Bonadio & Co., LLP