

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

POCANTICO HILLS CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Pocantico Hills Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Pocantico Hills Central School District as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 fiduciary funds of the Pocantico Hills Central School District as of June 30, 2017, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 16 and 56 through 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pocantico Hills Central School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, on our consideration of the Pocantico Hills Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pocantico Hills Central School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 10, 2017

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The following is a discussion and analysis of the Pocantico Hills Central School District's (the "District") financial performance for the fiscal year ended June 30, 2017. This section is a summary of the District's financial activities based on currently known facts, decisions and conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the school district's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- The District's Fund Financial Statements report a combined ending fund balance of approximately \$15.09 million dollars, an increase of approximately \$2.2 million over the \$12.86 million reported for the 2015-2016 school year. This includes funds that have been assigned or restricted for a particular purpose as well as funds that are unassigned. Approximately 8.41% or \$1,203,548 of this total amount is available for spending at the District's discretion in the general fund.
- The District is a party to various tax certiorari proceedings instituted under Article 7 of the Real Property Tax Law. To offset these challenges to the assessment rolls and the potential payment of tax refunds, the District maintains a tax certiorari reserve fund. During the 2016-2017 school year the Board of Education settled several tax certiorari claims totaling approximately \$1,579,050. The District used the tax certiorari reserve for these claims, and in addition, the Board of Education increased the tax certiorari reserve fund by approximately \$3 million from the unexpended portion of the 2016-2017 budget, bringing the total for the fiscal year ended June 30, 2017 to \$12,064,176.
- In the interest of promoting financial stability in the District, and pursuant to the provisions of General Municipal Law, the Board of Education approved the establishment of two new reserves in the 2016-2017 school year. An employee benefit accrued liability reserve was established for the purpose of paying the costs of certain employee benefits, and a retirement contribution reserve was established for the purpose of financing retirement contributions to the New York State and Local Employees' Retirement System. These reserves were funded in the amounts of \$220,000 and \$200,000, respectively, from the unexpended portion of the 2016-2017 budget. The Board of Education also asked the voters of the District to authorize the creation of a capital reserve for a maximum of \$10,000,000 over a period of ten years. The voters approved the creation of a capital reserve, and the reserve was funded in the amount of \$100,000 from the unexpended portion of the 2016-2017 budget.
- In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, the District recorded a net pension liability of \$687,285 for the Employees' Retirement System and a net pension liability of \$359,933 for the Teachers' Retirement System. The net pension liability is the total cost of future pension benefit payments that have already been earned, minus the value of assets available to make the benefits (the net position of the plan). The District also recorded deferred outflows and inflows related to pensions, which will be recognized in future periods. Please refer to Note 13 for more information.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. OVERVIEW OF THE FINANCIAL STATEMENTS

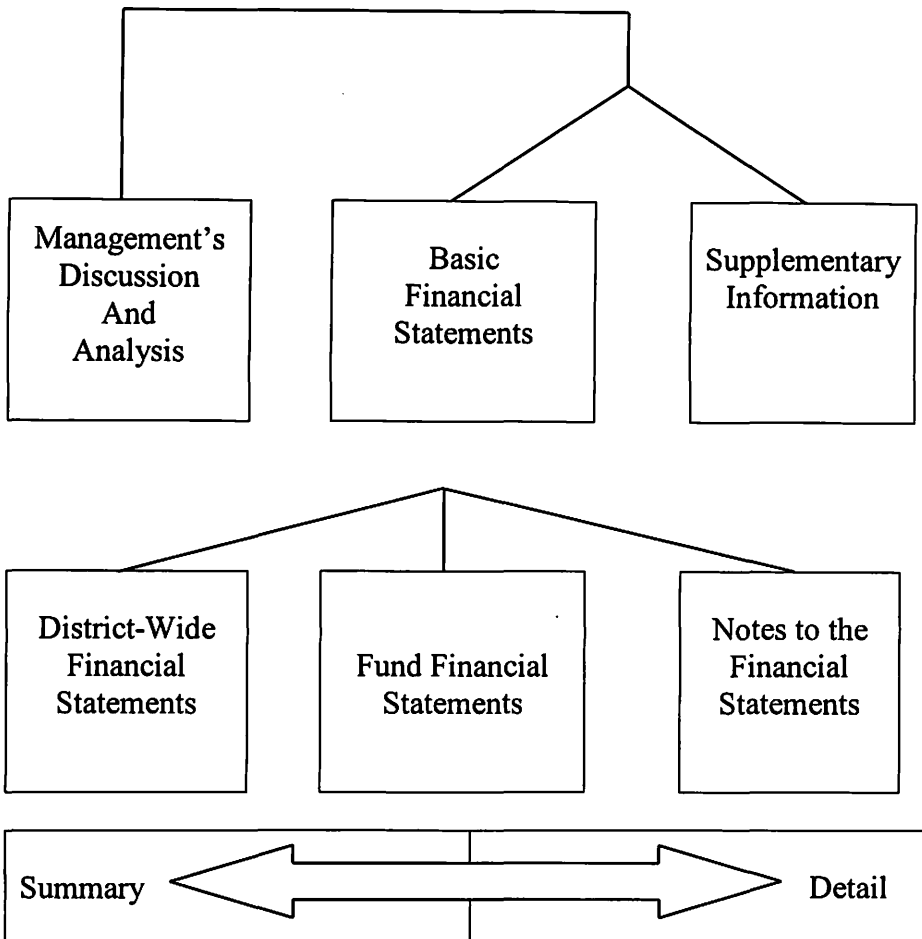
This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements, Exhibits 2 and 3, are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.
 - The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
 - *Fiduciary funds Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of 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 District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-1: Organization of the District's Annual Financial Report



**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
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 Revenues, 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 measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources and liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Current assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All financial assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any), short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; 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

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

A. District-Wide Financial Statements

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

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

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

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

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format 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 program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - *Net investment in capital assets*;
 - *Restricted net position* are those with constraints place on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation; and
 - *Unrestricted net position* is net position that do not meet any of the above restrictions.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

B. Fund Financial Statements

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

i) Governmental funds

Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund 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 programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information in separate reconciliation schedules explains the relationship (or differences) between them. In summary, the Governmental Funds Statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

ii) Fiduciary funds

The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The Districts total net position increased by \$1,320,608 in the fiscal year ended June 30, 2017, as detailed in Table A-3.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-3 – Condensed Statement of Net Position-Governmental Activities

	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Total Percentage Change
Current assets and other assets	\$ 18,497,414	\$ 17,606,074	\$ 891,340	5.06%
Capital assets, net	17,917,030	18,565,001	(647,971)	-3.49%
Net pension asset, proportionate share		3,461,165	(3,461,165)	-100.00%
Total Assets	<u>36,414,444</u>	<u>39,632,240</u>	<u>(3,217,796)</u>	-8.12%
Deferred outflows of resources	4,118,965	1,923,256	2,195,709	114.17%
Total assets and deferred outflows of resources	<u>\$40,533,409</u>	<u>\$41,555,496</u>	<u>(\$1,022,087)</u>	-2.46%
Other liabilities	\$ 3,430,532	\$ 4,772,135	\$ (1,341,603)	-28.11%
Long-term liabilities	26,979,823	26,892,046	87,777	0.33%
Total Liabilities	<u>30,410,355</u>	<u>31,664,181</u>	<u>(1,253,826)</u>	-3.96%
Deferred inflows of resources	242,412	1,331,281	(1,088,869)	-81.79%
Total liabilities and deferred inflows of resources	<u>30,652,767</u>	<u>32,995,462</u>	<u>(2,342,695)</u>	-7.10%
Net Position				
Net investment in capital assets	\$ 5,350,490	\$ 5,182,930	\$ 167,560	3.23%
Restricted	12,584,176	10,644,958	1,939,218	18.22%
Unrestricted (deficit)	(8,054,024)	(7,267,854)	(786,170)	-10.82%
Total Net Position	<u>9,880,642</u>	<u>8,560,034</u>	<u>1,320,608</u>	15.43%
Total Liabilities and Net Position	<u>\$ 40,533,409</u>	<u>\$ 41,555,496</u>	<u>\$ (1,022,087)</u>	-2.46%

Current and other assets increased by \$891,340 as compared to the prior year. The increase is primarily related to an increase in cash and state and federal aid.

Capital assets (net of depreciation) decreased by \$647,971, as compared to the prior year. This decrease is primarily due to the current year's depreciation expense on capital assets offset by the current year capital asset additions.

The net pension asset – proportionate share decreased by \$3,461,165 as a result of the actuarial valuation provided by the state and is currently a net pension liability of \$359,933. The change in deferred outflows of resources represents amortization of the pension related items and the change in the District's contributions subsequent to the measurement date, as discussed in Note 13.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Other liabilities decreased by \$1,341,603 as compared to the prior year. This decrease is primarily related to decreases in due to other governments and accounts payable offset by increases in accrued liabilities.

Long-term liabilities increased by \$87,777, as compared to the prior year. This increase is primarily the result of the increase in net other postemployment benefits obligation due to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, which resulted in a net other postemployment benefits obligation at June 30, 2017 of \$11,106,465, offset by the repayment of debt. The changes in deferred inflows represent amortization of pension related items as discussed in Note 13.

The net investment in capital assets of \$5,350,490 is the investment in capital assets at cost, such as land, construction in progress, buildings, land improvements, and machinery and equipment, net of depreciation and related debt. This increase of \$167,560, as compared to the prior year is due to capital project expenditures, equipment acquisitions and principal payments on serial bonds partially offset by current year's depreciation.

The restricted net position in the amount of \$12,584,176 relates to the balance in the District's tax certiorari, retirement contribution, employee benefit accrued liability and capital reserves. The increase in the amount of \$1,939,218 is primarily the result of the District funding the reserves offset by use of the reserves, which is discussed further in section 4 of this Management Discussion and Analysis entitled "Financial Analysis of the District's Funds" and section 5, "General Fund Budgetary Highlights".

The unrestricted net deficit in the amount of \$8,054,024 relates to the balance of the District's net position. The unrestricted net deficit increased by \$786,170.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2017 and 2016 is as follows:

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-4: Change in Net Position from Operating Results Governmental Activities Only

	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 483,905	\$ 448,379	\$ 35,526	7.92%
Operating Grants	397,302	367,780	29,522	8.03%
Capital Grants	74,515		74,515	N/A
General Revenues				
Property Taxes & Other Tax Items	25,326,677	25,125,603	201,074	0.80%
State Sources	3,177,393	3,115,676	61,717	1.98%
Use of Money & Property	246,182	199,377	46,805	23.48%
Other	139,875	326,195	(186,320)	-57.12%
Total Revenues	<u>29,845,849</u>	<u>29,583,010</u>	<u>262,839</u>	<u>0.89%</u>
Expenses				
General Support	4,933,216	3,425,773	1,507,443	44.00%
Instruction	20,198,577	18,612,229	1,586,348	8.52%
Pupil Transportation	1,758,061	1,670,468	87,593	5.24%
Community services	850,389	845,483	4,906	0.58%
Debt Service - Interest	587,811	622,459	(34,648)	-5.57%
Food Service Program	197,187	166,260	30,927	18.60%
Total Expenses	<u>28,525,241</u>	<u>25,342,672</u>	<u>3,182,569</u>	<u>12.56%</u>
Increase (Decrease) in Net Position	<u>\$ 1,320,608</u>	<u>\$ 4,240,338</u>	<u>\$ (2,919,730)</u>	<u>-68.86%</u>

The District's total fiscal year 2017 revenues totaled \$29,845,849. Property taxes and state sources accounted for most of the District's revenue by contributing 84.86% and 10.65%, respectively of total revenue. The remainder came from fees charged for services, operating grants, capital grants use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$28,525,241 for fiscal year 2017. These expenses are predominantly related to instruction, which account for 70.81% of District expenses. The District's general support activities accounted for 17.29% of total costs. Total expenses increased by \$3,182,569 or 12.56%.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-5: Revenues for Fiscal Year 2017 (See Table A-4)

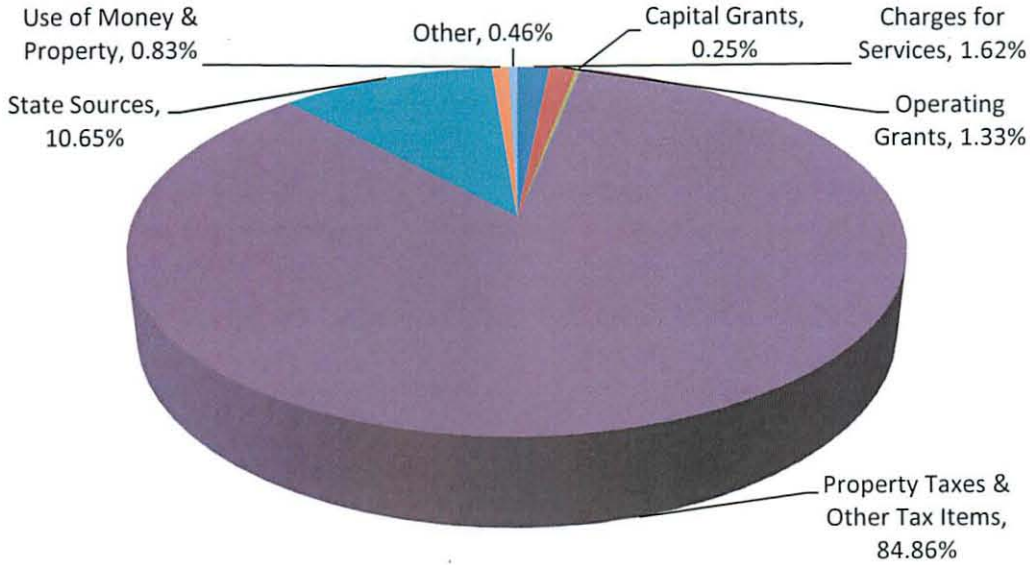
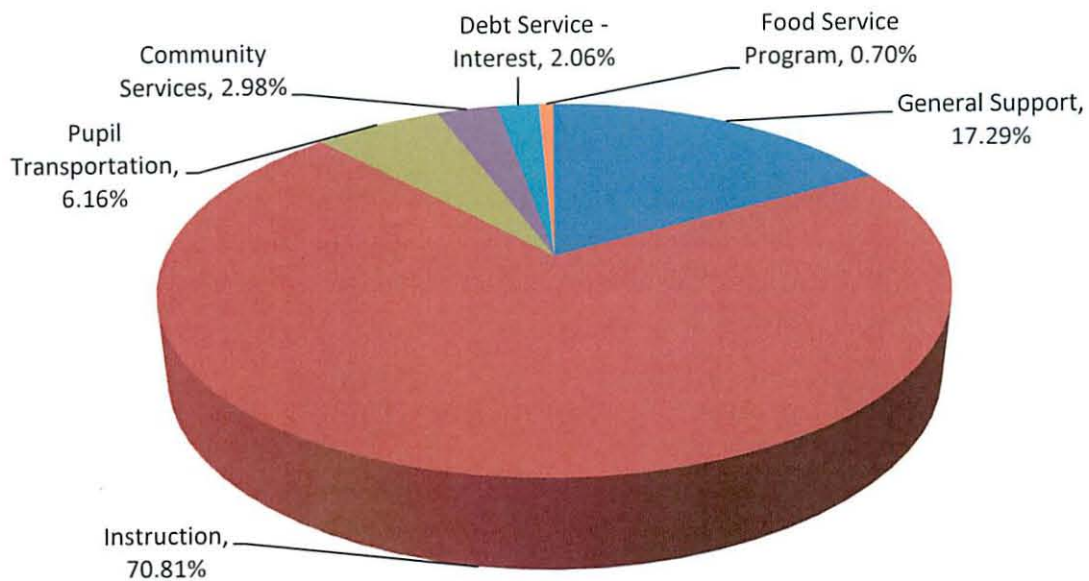


Table A-6: Expenses for Fiscal Year 2017 (See Tables A-4 and A-7)



**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

C. Governmental Activities

Revenues for the District's governmental activities totaled \$29,845,849 while expenses equaled \$28,525,241. The overall increase in net position for governmental activities was \$1,320,608. The District's continuation of overall good financial condition, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Funding of the District's reserves;
- Strong tax base; and
- Strategic use of services from the Southern Westchester Board of Cooperative Educational Services (BOCES).

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2017, the District's combined governmental funds reported a total fund balance of \$15,090,264 which is an increase of \$2,231,655 from the prior year based upon the modified accrual basis of accounting.

A summary of the changes in fund balance for all funds are as follows:

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	2017	2016	Increase (Decrease)	Total Percentage Change
General Fund				
Restricted				
Tax certiorari	\$12,064,176	\$10,640,258	\$1,423,918	13.38%
Retirement contribution	200,000		200,000	N/A
Employee benefit accrued liability	220,000		220,000	N/A
Capital	100,000		100,000	N/A
Debt service		4,700	(4,700)	-100.00%
Assigned				
Designated for subsequent year's expenditures	380,000	450,000	(70,000)	-15.56%
General support	106,795	63,606	43,189	67.90%
Instruction	28,718	28,114	604	2.15%
Pupil transportation	68	884	(816)	-92.31%
Community service	3,153	5,504	(2,351)	-42.71%
Unassigned	1,203,548	1,191,894	11,654	0.98%
Total Fund Balance - General Fund	<u>14,306,458</u>	<u>12,384,960</u>	<u>1,921,498</u>	<u>15.51%</u>
School Lunch Fund				
Nonspendable: inventory	1,855	1,116	739	66.22%
Assigned	68,145	31,642	36,503	115.36%
Total Fund Balance - School Lunch Fund	<u>70,000</u>	<u>32,758</u>	<u>37,242</u>	<u>113.69%</u>
Capital Projects Fund				
Restricted	1,660	1,429	231	16.17%
Assigned	712,146	439,462	272,684	62.05%
Total Fund Balance - Capital Projects Fund	<u>713,806</u>	<u>440,891</u>	<u>272,915</u>	<u>61.90%</u>
Total Fund Balances - All Funds	<u>\$ 15,090,264</u>	<u>\$ 12,858,609</u>	<u>\$ 2,231,655</u>	<u>17.36%</u>

A. General Fund

The net change of \$1,921,498 can be attributable to revenues of \$29,284,585 exceeding total expenditures and transfers of \$27,363,087.

B. School Lunch Fund

The net change in the school lunch fund of \$37,242 is primarily attributable to an operating loss of \$97,758 offset by a transfer from the general fund in the amount of \$135,000.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

C. Capital Projects Fund

The District can attribute the increase in the capital projects fund to the transfer of \$350,550 for capital projects from the general fund, reimbursement received in the amount of \$74,515 from the Smart Schools Bond Act and bond anticipation notes redeemed from appropriations in the amount of \$118,500 offset by capital outlay of \$270,650.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2016-2017 Budget

The District's general fund adopted budget for the year ended June 30, 2017 was \$29,809,970. This amount was increased by encumbrances carried forward from the prior year in the amount of \$98,108, and budget revisions for donations of \$14,223 for a final budget of \$29,922,301. The majority of the funding was from property taxes of \$24,407,866.

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

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance is demonstrated through a comparison of the actual revenues and expenditures for the year as compared to the budget. The chart presented immediately below provides the change in the unassigned fund balance.

Opening Unassigned Fund Balance	\$ 1,191,894
Revenues Under Budget	(89,608)
Expenditures and Encumbrances Under Budget	2,420,480
Funding to Reserves	(3,465,000)
Interest Allocated to Reserves	(57,968)
Use of Reserves	1,583,750
Assigned for next year's budget	(380,000)
Closing Unassigned Fund Balance	<u>\$ 1,203,548</u>

The opening, unassigned fund balance of \$1,191,894 represents the fund balance from June 30, 2016 that was retained.

The revenues under budget in the amount of \$89,608 were primarily due to a state aid shortfall for the incarcerated youth program, which was offset by a decrease in expenditures for the same program. (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget in the amount of \$2,420,480 were primarily attributable to the following expenditures: central services, special items, teaching – regular school

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

including the incarcerated youth program, community services, and employee benefits (see Supplemental Schedule #1 for detail).

The District transferred \$2,945,000 to the tax certiorari reserve, allocated interest in the amount of \$57,968 and used \$1,579,050 of the reserve.

The District transferred \$220,000 to the employee benefit accrued liability reserve, \$200,000 to the retirement contribution reserve and \$100,000 to the capital reserve.

The District used \$4,700 of the debt service reserve.

The assigned, appropriated fund balance of \$380,000 for the June 30, 2018 budget is the amount the District has chosen to use to fund its operating budget for 2017-2018.

The closing unassigned fund balance represents the fund balance retained by the District that is not reserved or designated for subsequent years' taxes. This amount is limited to 4% of the 2017-2018 budget, and is within the limit.

The changes in fund balance are discussed further in Management Discussion and Analysis Section 4, Financial Analysis of the District's Funds.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2017. A summary of the District's capital assets net of depreciation are as follows:

Table A-8: Capital Assets (Net of Depreciation)

Category	Fiscal Year 2017	Fiscal Year 2016	Percentage Change
Land	\$ 599,300	\$ 599,300	0.00%
Construction in Progress	146,732	178,678	-17.88%
Building & Building Improvements	26,474,533	26,339,647	0.51%
Furniture & Equipment	1,296,401	1,177,591	10.09%
Licensed Vehicles	1,614,669	1,615,796	-0.07%
Subtotal	<u>30,131,635</u>	<u>29,911,012</u>	0.74%
Less: Accumulated Depreciation	<u>12,214,605</u>	<u>11,346,011</u>	7.66%
Total Net Capital Assets	<u>\$ 17,917,030</u>	<u>\$ 18,565,001</u>	-3.49%

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The District spent \$262,792 in the capital project fund on construction in progress during the year for annual capital projects approved by residents in May 2015 and May 2016, and computer equipment and vehicles.

B. Debt Administration

At June 30, 2017, the District had total bonds payable of \$14,605,000. During the 2017 fiscal year, the District reduced existing debt with principal payments of \$980,000. More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements.

A summary of outstanding debt at June 30, 2017 and 2016 is as follows:

Table A-9 Outstanding Debt

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Increase/ Decrease</u>
Bonds payable:			
General obligation debt:			
Tax Certioraris:			
2007		\$50,000	\$ (50,000)
2008	\$775,000	830,000	(55,000)
2009	1,355,000	1,440,000	(85,000)
Construction 2010	12,115,000	12,875,000	(760,000)
Construction 2012	360,000	390,000	(30,000)
Total bonds payable	<u>\$14,605,000</u>	<u>\$15,585,000</u>	<u>(\$980,000)</u>

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- The general fund budget for the 2017-2018 school year was approved by the voters in the amount of \$30,242,460. This is an increase of \$432,490 or 1.45% from the previous year's budget. The increase was primarily due to increases in employee benefit, transportation and central service costs, offset by decreases in instruction and debt service payments.
- Chapter 97 of the 2011 Laws of New York limited the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There were additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. For the 2016-2017 school year, the school district submitted a budget to the voters that did not require an override as specified by the Chapter 97 of the 2011 Laws of New York.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

8. CONTACTING THE DISTRICT

This financial report is designed to provide the citizens, taxpayers, customers and investors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Ms. Marianne Heslin
Assistant Superintendent of Business and Operations
599 Bedford Road
Sleepy Hollow, NY 10591
(914)-631-2440

POCANTICO HILLS CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Current assets	
Cash	
Unrestricted	\$3,752,698
Restricted	12,585,836
Receivables	
State and federal aid	1,633,972
Due from other governments	291,168
Due from fiduciary funds	141,063
Other	90,822
Inventories	1,855
Non-current assets	
Capital assets	
Not being depreciated	746,032
Being depreciated, net of accumulated depreciation	<u>17,170,998</u>
TOTAL ASSETS	<u>36,414,444</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>4,118,965</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$40,533,409</u>
 LIABILITIES	
Payables	
Accounts payable	\$311,982
Accrued liabilities	361,049
Accrued interest payable	23,382
Due to other governments	1,582,032
Due to teachers' retirement system	663,877
Due to employees' retirement system	85,390
Unearned credits	
Collections in advance	309,620
Note payable	
Bond anticipation note payable	93,200
Long-term liabilities	
Due and payable within one year	
Bonds payable	965,000
Due and payable after one year	
Bonds payable	13,640,000
Compensated absences payable	221,140
Net other postemployment benefits obligation	11,106,465
Net pension liability-proportionate share	<u>1,047,218</u>
TOTAL LIABILITIES	<u>30,410,355</u>
 DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>242,412</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>30,652,767</u>
 NET POSITION	
Net investment in capital assets	<u>5,350,490</u>
Restricted	
Tax certiorari	12,064,176
Retirement contribution	200,000
Employee benefit accrued liability	220,000
Capital	<u>100,000</u>
	<u>12,584,176</u>
Unrestricted (Deficit)	<u>(8,054,024)</u>
TOTAL NET POSITION	<u>9,880,642</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$40,533,409</u>

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
FUNCTIONS / PROGRAMS					
General support	(\$4,933,216)				(\$4,933,216)
Instruction	(20,198,577)	\$394,458	\$391,748	\$74,515	(19,337,856)
Pupil transportation	(1,758,061)				(1,758,061)
Community services	(850,389)				(850,389)
Debt service-interest	(587,811)				(587,811)
Food service program	(197,187)	89,447	5,554		(102,186)
TOTAL FUNCTIONS AND PROGRAMS	<u>(\$28,525,241)</u>	<u>\$483,905</u>	<u>\$397,302</u>	<u>\$74,515</u>	<u>(27,569,519)</u>
GENERAL REVENUES					
Real property taxes					23,938,415
Other tax items - including STAR reimbursement					1,388,262
Use of money & property					246,182
Miscellaneous					139,875
State sources					3,177,393
TOTAL GENERAL REVENUES					<u>28,890,127</u>
CHANGE IN NET POSITION					1,320,608
TOTAL NET POSITION - BEGINNING OF YEAR					<u>8,560,034</u>
TOTAL NET POSITION - END OF YEAR					<u>\$9,880,642</u>

POCANTICO HILLS CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash					
Unrestricted	\$2,292,806	\$549,677		\$910,215	\$3,752,698
Restricted	12,584,176			1,660	12,585,836
Receivables					
State and federal aid	1,238,741	320,197	\$519	74,515	1,633,972
Due from other governments	291,168				291,168
Due from other funds	1,649,520	165,121	226,287	202,783	2,243,711
Accounts receivable	78,953		11,869		90,822
Inventories			1,855		1,855
TOTAL ASSETS	<u>\$18,135,364</u>	<u>\$1,034,995</u>	<u>\$240,530</u>	<u>\$1,189,173</u>	<u>\$20,600,062</u>
LIABILITIES AND FUND BALANCES					
Payables					
Accounts payable	\$119,014	\$18,117	\$81,310	\$93,541	\$311,982
Accrued liabilities	358,851		2,198		361,049
Due to other governments	1,582,032				1,582,032
Due to other funds	713,447	1,016,878	83,697	288,626	2,102,648
Due to teachers' retirement system	663,877				663,877
Due to employees' retirement system	85,390				85,390
Unearned Credits					
Collections in advance	306,295		3,325		309,620
Note Payable					
Bond anticipation notes payable				93,200	93,200
TOTAL LIABILITIES	<u>3,828,906</u>	<u>1,034,995</u>	<u>170,530</u>	<u>475,367</u>	<u>5,509,798</u>
FUND BALANCES					
Nonspendable: Inventory					
			1,855		1,855
Restricted					
Tax certiorari	12,064,176				12,064,176
Retirement contribution	200,000				200,000
Employee benefit accrued liability	220,000				220,000
Capital	100,000				100,000
Unspent bond proceeds				1,660	1,660
Assigned					
Appropriated fund balance	380,000				380,000
Unappropriated fund balance	138,734		68,145	712,146	919,025
Unassigned	1,203,548				1,203,548
TOTAL FUND BALANCES	<u>14,306,458</u>	<u>-</u>	<u>70,000</u>	<u>713,806</u>	<u>15,090,264</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$18,135,364</u>	<u>\$1,034,995</u>	<u>\$240,530</u>	<u>\$1,189,173</u>	<u>\$20,600,062</u>

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Governmental Fund Balances \$ 15,090,264

Amounts reported for governmental activities in the Statement of Net Position are different because:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 30,131,635	
Accumulated depreciation	<u>(12,214,605)</u>	17,917,030

Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to 4,118,965

Deferred inflows of resources - The Statement of Net Position recognized revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. Deferred inflows related to pensions that will be recognized as a reduction in pension expense in future periods amounted to (242,412)

Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of accrued interest payable of: (23,382)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable	\$ (14,605,000)	
Compensated absences payable	(221,140)	
Net other postemployment benefits obligation	(11,106,465)	
Net pension liability-proportionate share	<u>(1,047,218)</u>	<u>(26,979,823)</u>

Total Net Position \$ 9,880,642

POCANTICO HILLS CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Totals Governmental Funds</u>
REVENUES					
Real property taxes	\$23,938,415				\$23,938,415
Other tax items - including STAR reimbursement	1,388,262				1,388,262
Charges for services	394,458				394,458
Use of money and property	246,182				246,182
Miscellaneous	139,875				139,875
State sources	3,177,393	120,733		74,515	3,372,641
Federal sources		271,015	5,554		276,569
Sales			89,447		89,447
TOTAL REVENUES	<u>29,284,585</u>	<u>391,748</u>	<u>95,001</u>	<u>74,515</u>	<u>29,845,849</u>
EXPENDITURES					
General support	4,038,990				4,038,990
Instruction	15,642,755	379,138			16,021,893
Pupil transportation	1,090,206	31,993			1,122,199
Community service	531,398				531,398
Employee benefits	3,867,206		38,293		3,905,499
Debt service - principal	1,098,500				1,098,500
Debt service - interest	589,099				589,099
Cost of sales			154,466		154,466
Capital outlay				270,650	270,650
TOTAL EXPENDITURES	<u>26,858,154</u>	<u>411,131</u>	<u>192,759</u>	<u>270,650</u>	<u>27,732,694</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,426,431</u>	<u>(19,383)</u>	<u>(97,758)</u>	<u>(196,135)</u>	<u>2,113,155</u>
OTHER FINANCING SOURCES AND (USES)					
Operating transfers in		19,383	135,000	350,550	504,933
Operating transfers (out)	(504,933)				(504,933)
Bond anticipation notes redeemed from appropriations				118,500	118,500
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(504,933)</u>	<u>19,383</u>	<u>135,000</u>	<u>469,050</u>	<u>118,500</u>
NET CHANGE IN FUND BALANCES	1,921,498	-	37,242	272,915	2,231,655
FUND BALANCES - BEGINNING OF YEAR	<u>12,384,960</u>	<u>-</u>	<u>32,758</u>	<u>440,891</u>	<u>12,858,609</u>
FUND BALANCES - END OF YEAR	<u>\$14,306,458</u>	<u>\$ -</u>	<u>\$70,000</u>	<u>\$713,806</u>	<u>\$15,090,264</u>

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balance	\$2,231,655
Amounts reported for governmental activities in the Statement of Activities are different because:	
Long-Term Revenue and Expense Differences	
In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the year ended June 30, 2017 changed by	139,123
Net other post-employment benefits obligation payable in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Net other post-employment benefits obligation payable for the year ended June 30, 2017 changed by	(1,308,369)
Long-Term Debt Transactions	
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	980,000
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2016 to June 30, 2017 changed by	1,288
Capital Related Items	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities	
Capital outlays	\$262,792
Equipment purchases	117,393
Depreciation expense	<u>(1,028,156)</u>
	(647,971)
Pension Differences	
Increases/decreases in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.	
Teachers' retirement system	\$44,556
Employees' retirement system	<u>(119,674)</u>
	<u>(75,118)</u>
Change in Net Position	<u><u>\$1,320,608</u></u>

POCANTICO HILLS CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash - Restricted	\$14,260	\$153,871
TOTAL ASSETS	<u>\$14,260</u>	<u>\$153,871</u>
LIABILITIES		
Due to governmental funds		\$141,063
Extraclassroom activity balance		1,611
Other liabilities		11,197
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$153,871</u>
NET POSITION		
Restricted for scholarships	14,260	
TOTAL NET POSITION	<u>\$14,260</u>	

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Interest and earnings	<u>\$76</u>
DEDUCTIONS	
Scholarships and awards	<u> </u>
CHANGE IN NET POSITION	76
NET POSITION - BEGINNING OF YEAR	<u>14,184</u>
NET POSITION - END OF YEAR	<u><u>\$14,260</u></u>

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Pocantico Hills Central School District (the “District”) have been prepared in conformity with generally accepted accounting principles (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 District are described below:

A) Reporting entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of five (5) members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of a certain entity included in the District’s reporting entity.

Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by its agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund. Separate audited Financial Statements of the Extraclassroom Activity Funds can be found at the District’s business office.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

B) Joint venture:

The District is a component district in the Board of Cooperative Educational Services of Southern Westchester (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that 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.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

C) Basis of presentation:

i) District-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities present financial information about the 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 revenues, 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, if applicable.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

ii) Fund Financial Statements:

The Fund Financial Statements provide information about the 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 District reports the following major governmental funds:

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

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the activities of the District's food service operations.

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The District reports the following fiduciary funds:

Fiduciary Fund: These funds are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-Wide financial statements, because their resources do not belong to the District, and are not available to be used. The District has the following fiduciary funds:

Agency Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

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

D) Measurement focus and basis of accounting:

The District-Wide Financial Statements and Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include

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property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, net pension liabilities, and other post-employment benefits obligations, 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.

E) Real property taxes:

i) Calendar

Real property taxes are levied annually by the Board of Education and attached as an enforceable lien on real property as of July 1st and are payable in September and January.

ii) Enforcement

The Town of Greenburgh and the Town of Mount Pleasant, which are included in this levy, are responsible for the billing and collection of the taxes. The towns guarantee the full payment of the District tax warrant, assume responsibility for the uncollected taxes and remit final payments to the District no later than the forthcoming.

F) Restricted resources:

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

G) Interfund transactions:

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

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In the District-Wide Financial Statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows, liabilities and deferred inflows and disclosure of contingent items at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other post employment benefits, workers compensation claims, tax certiorari claims, net pension asset/liability, potential contingent liabilities and useful lives of capital assets.

I) Cash and investments:

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

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

J) Receivables:

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

K) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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A reserve for these non-liquid assets (inventories) has been recognized in the school lunch fund as non-spendable under GASB Statement No. 54 to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2017.

L) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Licensed vehicles	\$500	straight line	8 years
Buildings and building improvements	\$500	straight line	50 years
Furniture and equipment	\$500	straight line	5-20 years

M) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. Collections in advance as of June 30, 2017 consisted of prepaid balances for meals in the school lunch fund, and summer camp tuition in the general fund.

N) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 District has one item that qualifies for

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reporting in this category. This amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS), the net difference between projected and actual investment earnings on pension plan investments (ERS and TRS), changes of assumptions (ERS and TRS), the changes in proportion and differences between the District's contributions and proportionate share of contributions (ERS and TRS) and the District's contributions to the pension systems (ERS and TRS) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. This amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS and TRS), and the changes in proportion and differences between the District's contributions and proportionate share of contributions (TRS).

O) Vested employee benefits:

Compensated absences:

Compensated absences consist of unpaid accumulated annual sick leave and vacation time:

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements may require these termination payments to be paid in the form of non-elective contributions into the employees' 403(b) plan.

The 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.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the District-Wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the Fund Financial Statements only, the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis. The liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

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P) Other benefits:

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Section 403(b).

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure as the liabilities for premiums mature (come due for payments). In the District-Wide Financials Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

Q) Short-term debt:

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN and TAN represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue dated.

R) Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds 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.

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

S) Equity Classifications:

i) District-Wide Financial Statements:

In the District-Wide Financial Statements there are three classes of net position:

Net investment in capital assets consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets, net of any unexpended proceeds.

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 or 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 District.

ii) Fund Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

- 1) **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. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$1,855.
- 2) **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 District has classified the following as restricted:

Tax Certiorari

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

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year after deposit of these monies. This reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution Reserve

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

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML§6-p), must be used 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

Capital Reserve

Capital reserve (EL§3651), must be 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.

Unspent Bond Proceeds

Unspent long-term bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Scholarships

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

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

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- 4) **Assigned fund balance** – Includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. The District has established a Fund Balance policy that allows the Board of Education to set forth the fund balance that is assigned. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.
- 5) **Unassigned fund balance** – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the 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 included in assigned fund balance are also excluded from the 4% limitation.

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (i.e. expenditures related to reserves) the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

T) New accounting standards:

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2017: Statement No. 77, *Tax Abatement Disclosures*, which requires increased disclosures surrounding tax abatements, and Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues in the previously issued pension statements regarding payroll related measures in the required supplementary information, the selection of assumptions and deviations from other guidance, and the treatment of employee (plan member) contributions made by employers.

U) Future changes in accounting standards:

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending June 30, 2018. This statement 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 Employers and Agent Multiple-Employer Plans*, for OPEB. Statement

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No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

These are the statements that the District feels may have an impact on these financial statements and are not an all inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

(A) Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

(B) Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of the four broad categories. The amounts shown below represent:

(i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

(ii) 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 reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

(iii) Long-term debt transaction differences:

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Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the 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.

(iv) Pension differences:

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and difference between the District's contributions and its proportionate share of the total contributions to the pension system.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which 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. Supplemental appropriations that occurred during the fiscal year are shown on the other supplemental information – schedule of change from adopted budget to final budget.

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

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

B) Encumbrances:

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

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subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

New York State law governs the 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. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A) Uncollateralized;
- B) Collateralized with securities held by the pledging financial institution in the District's name; or
- C) Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

B) Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2017 included \$12,585,836 within the governmental funds for general reserve purposes and capital projects and \$168,131 in the fiduciary funds.

C) Investments:

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

D) Investment Pool:

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-O, whereby it holds a portion of the

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investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. At June 30, 2017, the District held \$155,839 in investments consisting of various investments in securities issued by the United States and its agencies.

Total investments of the cooperative at June 30, 2017 are \$489,674,002, which consisted of \$166,914,400 in repurchase agreements, \$322,759,602 in U.S. Treasury Securities in U.S. Government Guaranteed Securities at various interest rates with various due dates, and \$180,867,574 in collateralized bank deposits.

Fund	Bank Balance	Carrying Amount
General Fund	\$ 137,004	\$ 137,004
Special Aid Fund	3,142	3,142
Fiduciary Funds	15,693	15,693
	\$ 155,839	\$ 155,839

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. CLASS is rated AAAM by S&P Global ratings. Additional information concerning the cooperative is presented in the annual report of the New York Cooperative Liquid Assets Securities System (NYCLASS), which may be obtained from their website, www.newyorkclass.org, or by contacting their registered investment advisor, Public Trust Advisors, LLC at 717 17th Street, Suite 1850, Denver CO, 80202.

NOTE 5 – PARTICIPATION IN BOCES:

During the year ended June 30, 2017, the District was billed \$3,730,763 for BOCES administrative and program costs. The District’s share of BOCES aid amounted to \$232,241. Financial statements for the Southern Westchester BOCES are available from the BOCES administrative office located at 17 Berkeley Drive, Rye Brook, NY 10573.

NOTE 6 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2017 consisted of the following:

Southern Westchester BOCES Aid	\$ 232,214
Westchester County sales tax	58,954
Total Due from other governments	\$ 291,168

District management has deemed these amounts to be fully collectible.

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NOTE 7 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivable at June 30, 2017 consisted of the following:

General Fund	
Excess Cost Aid	\$52,805
Incarcerated Youth Aid	1,185,936
Total-General fund	<u>\$1,238,741</u>
Special Aid Fund	
Federal grants	<u>\$320,197</u>
School Lunch Fund	
Milk - federal	<u>\$519</u>
Capital Fund	
State grants	<u>\$74,515</u>
Total-All Funds	<u><u>\$1,633,972</u></u>

District management has deemed these amounts to be fully collectible.

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NOTE 8 - CAPITAL ASSETS:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$599,300			\$599,300
Construction in progress	178,678	\$102,940	(\$134,886)	146,732
Total capital assets not being depreciated	<u>777,978</u>	<u>102,940</u>	<u>(134,886)</u>	<u>746,032</u>
Capital assets being depreciated:				
Building & building Improvements	26,339,647		134,886	26,474,533
Furniture and equipment	1,177,591	184,051	(65,241)	1,296,401
Licensed vehicles	1,615,796	93,194	(94,321)	1,614,669
Total capital assets being depreciated	<u>29,133,034</u>	<u>277,245</u>	<u>(24,676)</u>	<u>29,385,603</u>
Less accumulated depreciation:				
Building & improvements	9,559,747	794,943		10,354,690
Furniture and equipment	751,965	100,987	(65,241)	787,711
Licensed vehicles	1,034,299	132,226	(94,321)	1,072,204
Total accumulated depreciation	<u>11,346,011</u>	<u>1,028,156</u>	<u>(159,562)</u>	<u>12,214,605</u>
Total capital assets being depreciated, net	<u>17,787,023</u>	<u>(750,911)</u>	<u>134,886</u>	<u>17,170,998</u>
Total capital assets, net	<u>\$18,565,001</u>	<u>(\$647,971)</u>	<u>\$ -</u>	<u>\$17,917,030</u>

Depreciation expense was charged to government functions as follows:

Instruction	\$785,585
General support	39,118
School lunch program	4,428
Transportation	132,414
Community services	66,611
Total depreciation expense	<u>\$1,028,156</u>

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
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NOTE 9 – UNEARNED CREDITS – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2017 consisted of the following:

General Fund	
Summer programs 2017-2018	<u>\$306,295</u>
School Lunch Fund	
Prepaid account balances	<u>\$3,325</u>
Total - All Funds	<u><u>\$309,620</u></u>

NOTE 10 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. It is expected that all interfund payables should be repaid within one year.

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General fund	\$1,649,520	\$713,447		\$504,933
Special aid fund	165,121	1,016,878	\$19,383	
School lunch fund	226,287	83,697	135,000	
Capital projects fund	202,783	288,626	350,550	
Total government activities	<u>2,243,711</u>	<u>2,102,648</u>	<u>504,933</u>	<u>504,933</u>
Fiduciary funds		<u>141,063</u>		
Totals	<u><u>\$2,243,711</u></u>	<u><u>\$2,243,711</u></u>	<u><u>\$504,933</u></u>	<u><u>\$504,933</u></u>

The District typically transfers from the general fund to the special aid fund to fund the District's local share of summer school handicap expenses required by New York State Law. The District transfers from the general fund to the school lunch fund to subsidize the school lunch fund operations. The District typically transfers from the general fund to the capital projects fund to finance capital construction projects.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
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NOTE 11 – SHORT-TERM LIABILITIES:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	6/9/2017	2.50%	\$ 118,500		\$ 118,500	\$ -
BAN	6/15/2018	3.50%		\$ 93,200		93,200
Total			<u>\$ 118,500</u>	<u>\$ 93,200</u>	<u>\$ 118,500</u>	<u>\$ 93,200</u>

The bond anticipation notes were issued for interim financing of the capital projects fund.

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

Interest paid	\$2,954
Less interest accrued in the prior year	(247)
Plus interest accrued in the current year	<u>272</u>
Total expense	<u>\$2,979</u>

NOTE 12 – LONG-TERM LIABILITIES:

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Bond Payable	\$15,585,000		\$980,000	\$14,605,000	\$965,000
Other liabilities					
Compensated absences payable	360,263	93	139,216	221,140	
Net other postemployment benefits	9,798,096	2,211,307	902,938	11,106,465	
Net pension liability - proportionate share	<u>1,148,687</u>	<u>904,392</u>	<u>1,005,861</u>	<u>1,047,218</u>	
Total long-term liabilities	<u>\$26,892,046</u>	<u>\$3,115,792</u>	<u>\$3,028,015</u>	<u>\$26,979,823</u>	<u>\$965,000</u>

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, compensated absences, net other post-employment benefits and net pension liability.

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A) Bonds Payable:

Existing serial and statutory bond obligations are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Balance
Tax certiorari	2009	2028	5.25%-5.38%	\$775,000
Tax certiorari	2009	2029	2.00%-4.00%	1,355,000
Construction	2010	2030	2.50%-4.00%	12,115,000
Construction	2012	2027	1.30%-2.80%	360,000
				<u>\$14,605,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2018	\$965,000	\$554,643	\$1,519,643
2019	990,000	524,075	1,514,075
2020	1,025,000	492,635	1,517,635
2021	1,060,000	458,043	1,518,043
2022	1,095,000	421,125	1,516,125
2023-2027	5,990,000	1,435,438	7,425,438
2028-2030	3,480,000	273,969	3,753,969
	<u>\$14,605,000</u>	<u>\$4,159,928</u>	<u>\$18,764,928</u>

B) Long-Term Interest:

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

Interest paid	<u>\$586,145</u>
Less interest accrued in the prior year	(24,423)
Plus interest accrued in the current year	<u>23,110</u>
Total expense	<u>\$584,832</u>

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NOTE 13 – PENSION PLANS:

A) Plan Description and Benefits Provided:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

ii) Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple –employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP) which provides death benefits in the form of life insurance. The 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.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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B) Funding Policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3.5% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

2. New York State Employees' Retirement System
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

For ERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

The 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 based on covered payroll for the District's year end were:

	<u>NYSERS</u>	<u>NYSTRS</u>
2017	\$ 320,898	\$ 636,628
2016	\$ 404,110	\$ 687,626
2015	\$ 369,265	\$ 877,467

C) Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions:

At June 30, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension liability used to calculate the net

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
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pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Net pension liability	\$ (687,285)	\$ (359,933)
District's portion of the Plan's total net pension liability	0.0073145%	0.033606%
Change in proportion since the prior measurement date	0.000158%	0.000283%

For the year ended June 30, 2017, the District recognized pension expense of \$443,075 for ERS and \$592,209 for TRS. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 17,223		\$ 104,368	\$ 116,927
Net difference between projected and actual earnings on pension plan investments	137,279	\$ 809,318		
Changes of assumptions	234,802	2,050,405		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	146,929	991		21,117
District's contributions subsequent to the measurement date	85,390	636,628		
	<u>\$ 621,623</u>	<u>\$ 3,497,342</u>	<u>\$ 104,368</u>	<u>\$ 138,044</u>

District 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:

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	<u>ERS</u>	<u>TRS</u>
Plan Year ended:		
2017		\$ 247,188
2018	\$ 179,472	247,188
2019	179,472	875,726
2020	158,053	680,169
2021	(85,132)	310,238
Thereafter		362,161
	<u>\$ 431,865</u>	<u>\$ 2,722,670</u>

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.00%	7.50%
Salary scale	3.80%	4.72% - 1.90%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the

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actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections 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 investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the valuation date are summarized below:

<u>Valuation Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>April 1, 2016</u>		<u>June 30, 2015</u>	
	<u>Target</u>	<u>Long-term</u>	<u>Target</u>	<u>Long-term</u>
<u>Asset type</u>	<u>Allocation</u>	<u>expected real</u>	<u>Allocation</u>	<u>expected real</u>
		<u>rate of return</u>		<u>rate of return</u>
Domestic equity	36%	4.55%	37%	6.1%
International equity	14%	6.35%	18%	7.3%
Private equity	10%	7.75%	7%	9.2%
Real estate	10%	5.80%	10%	5.4%
Absolute return strategies	2%	4.00%		
Opportunistic portfolio	3%	5.89%		
Real assets	3%	5.54%		
Bonds and mortgages	17%	1.31%		
Cash	1%	-0.25%		
Inflation-indexed bonds	4%	1.50%		
Domestic fixed income securities			17%	1.0%
Global fixed income securities			2%	0.8%
Mortgages			8%	3.1%
Short-term			1%	0.1%
	100%		100%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension

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plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0% for ERS and 6.5% for TRS) or 1-percentagepoint higher (8.0% for ERS and 8.5% for TRS) than the current rate:

<u>ERS</u>	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
District's proportionate share of the net pension asset (liability)	<u>(\$2,195,053)</u>	<u>(\$687,285)</u>	<u>\$587,529</u>

<u>TRS</u>	<u>1% Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension asset (liability)	<u>(\$4,696,139)</u>	<u>(\$359,933)</u>	<u>\$3,277,050</u>

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Valuation date	April 1, 2016	June 30, 2015
Employers' total pension liability	\$ (177,400,586)	\$ (108,577,184)
Plan Fiduciary Net Position	<u>168,004,363</u>	<u>107,506,142</u>
Employers' net pension liability	<u>\$ (9,396,223)</u>	<u>\$ (1,071,042)</u>
Ratio of plan fiduciary net position to the Employers' total pension liability	94.70%	99.01%

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Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$85,390.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$663,877.

NOTE 14 – OTHER RETIREMENT PLANS:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2017, totaled \$165,425 and \$423,297 respectively.

NOTE 15 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) Plan Description:

The District primarily provides post-employment health insurance coverage to retired employees, their spouses and their covered dependents in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program Empire Plan, (The "Plan") which is a single-employer defined benefit healthcare plan administered by New York State. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. The Plan does not issue a stand alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

B) Funding Policy:

The contribution requirements of Plan members and the District are established and may be amended by the District. For fiscal year 2017, the District contributed an estimated \$902,938 to the Plan, including \$902,938 for current premiums and an additional \$0 to prefund benefits. The

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District pays 90% to 100% of the premiums for retirees and 0% to 50% of the premiums for spouses and dependents, depending on coverage selected, and date of retirement and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are accrued. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

C) Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$ 2,364,327
Interest on net OPEB obligation	391,924
Adjustment to Annual Required Contribution	<u>(544,944)</u>
Annual OPEB cost (expense)	2,211,307
Contributions made	<u>(902,938)</u>
Increase in net OPEB obligation	1,308,369
Net OPEB obligation-beginning of year	<u>9,798,096</u>
Net OPEB obligation-end of year	<u><u>\$ 11,106,465</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the current and the preceding two years was as follows:

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	\$ 2,290,845	\$ 2,181,083	\$ 830,476	38%	\$ 8,383,992
6/30/16	\$ 2,326,866	\$ 2,255,620	\$ 841,516	37%	\$ 9,798,096
6/30/17	\$ 2,364,327	\$ 2,211,307	\$ 902,938	41%	\$ 11,106,465

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D) Funded Status and Funding Progress:

As of July 1, 2016, the most recent actuarial valuation date, the Plan was zero percent funded. The actuarial accrued liability for benefits was \$31,859,825 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$31,859,825. The covered payroll (annual payroll of active employees covered by the plan) was \$7,174,910 and the ratio of the UAAL to the covered payroll was 444%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E) Actuarial Methods and Assumptions:

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the Plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Various assumptions are made in deriving OPEB liabilities and related costs. The key actuarial assumptions are discount rate, healthcare trend rates, mortality rates, turnover rates, retirement rates, and disability rates. Additional information is as follows:

In the July 1, 2016 actuarial valuation prepared by an outside actuarial firm, the entry age normal cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 3.0% and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 4.5% after six years. The UAAL is being amortized using the level dollar amortization method over an open period of 30 years.

NOTE 16 – RISK MANAGEMENT:

A) General:

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located with the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the District has essentially transferred all related risk to the pool.

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B) Public Entity Risk Pool:

The District participates in an individually self-insured cooperative, The Southern Westchester School Cooperative Workers' Compensation Self-Insured Plan (the "Workers' Compensation Plan"), a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The Workers' Compensation Plan's total undiscounted liability for unbilled and open claims at June 30, 2017 was \$20,582,615. Of this total undiscounted liability, \$261,222 is associated with the District. During the year ended June 30, 2017, the District's contribution to the Plan was \$74,717.

NOTE 17 – TAX ABATEMENTS:

The County of Westchester, under the authority of General Municipal Law Section 923-A, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the county. The District's property tax revenue was reduced by \$422,605 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$422,605 for these programs during the fiscal year.

The Town of Mount Pleasant, under the authority of General Municipal Law Section 927, entered into a tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the county. The District's property tax revenue was reduced by \$464,912 for this program. The District received Payment in Lieu of Tax (PILOT) payments totaling \$229,352 for this program during the fiscal year.

NOTE 18 – COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

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

Assigned: Unappropriated Fund Balance	
General Fund	
General Support	\$106,795
Instruction	28,718
Pupil Transportation	68
Community Services	3,153
	<u>\$138,734</u>
Capital Projects Fund	
Capital projects	<u>\$331,178</u>

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

B) Grants:

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

C) Litigation:

The District is involved in various litigation proceedings resulting from the normal conduct of its affairs. There are also pending tax certiorari proceedings, which may result in the District having to pay future tax refunds. The District has a reserve established to pay future payments for this.

NOTE 19 – SUBSEQUENT EVENTS:

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the District through the date of this report and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

SUPPLEMENTARY INFORMATION

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$24,407,866	\$24,407,866	\$23,938,415	(\$469,451)
Other real property tax items	682,135	682,135	1,388,262	706,127
Charges for services	423,150	423,150	394,458	(28,692)
Use of money & property	157,882	157,882	246,182	88,300
Miscellaneous	101,500	115,723	139,875	24,152
State Sources				
Basic formula	607,763	607,763	529,182	(78,581)
Excess cost aid			327,238	327,238
Lottery aid			30,437	30,437
BOCES aid	221,840	221,840	232,214	10,374
Textbook aid	35,803	35,803	26,038	(9,765)
Computer software aid			4,060	4,060
Library A/V loan program aid			1,199	1,199
Other state aid	<u>2,722,031</u>	<u>2,722,031</u>	<u>2,027,025</u>	<u>(695,006)</u>
TOTAL REVENUES	29,359,970	29,374,193	<u>\$29,284,585</u>	<u>(\$89,608)</u>
Appropriated fund balance	450,000	450,000		
Appropriated reserves	<u>98,108</u>	<u>98,108</u>		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	<u>\$29,908,078</u>	<u>\$29,922,301</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

POCANTICO HILLS CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
General Support					
Board of education	\$41,862	\$49,362	\$27,280	\$40	\$22,042
Central administration	343,207	336,618	332,518		4,100
Finance	525,881	592,581	568,376	13,019	11,186
Staff	334,778	267,476	207,664	34,535	25,277
Central services	1,309,263	1,324,491	1,163,810	59,201	101,480
Special items	3,164,323	3,165,523	1,739,342		1,426,181
Instructional					
Instruction, adm. & imp.	392,896	424,047	396,318	5,310	22,419
Teaching - regular school	9,442,514	9,051,386	8,732,939	8,809	309,638
Programs for children with handicapping conditions	5,105,226	5,560,230	5,318,753	11,072	230,405
Instructional media	830,533	892,837	826,405	1,140	65,292
Pupil services	416,961	390,404	368,340	2,387	19,677
Pupil transportation	1,141,001	1,174,787	1,090,206	68	84,513
Community services	547,740	574,542	531,398	3,153	39,991
Employee benefits	4,098,234	3,904,358	3,867,206		37,152
Debt Service					
Debt service - principal	1,108,380	1,108,380	1,098,500		9,880
Debt service - interest	589,729	589,729	589,099		630
TOTAL EXPENDITURES	29,392,528	29,406,751	26,858,154	138,734	2,409,863
Other Financing Uses					
Transfers to other funds	515,550	515,550	504,933		10,617
TOTAL EXPENDITURES AND OTHER USES	\$29,908,078	\$29,922,301	27,363,087	\$138,734	\$2,420,480
NET CHANGE IN FUND BALANCE			1,921,498		
FUND BALANCE - BEGINNING OF YEAR			12,384,960		
FUND BALANCE - END OF YEAR			\$14,306,458		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2017**

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
July 1, 2012	\$0	\$22,127,376	\$22,127,376	0%	\$5,109,960	433%
July 1, 2014	\$0	\$24,512,794	\$24,512,794	0%	\$6,659,607	368%
July 1, 2016	\$0	\$31,859,825	\$31,859,825	0%	\$7,174,910	444%

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY) ASSET
FOR THE FISCAL YEARS ENDED JUNE 30, ***

<u>NYSERS Pension Plan</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension (liability) asset	0.0073145%	0.0071568%	0.0058166%
District's proportionate share of the net pension (liability) asset	\$ (687,285)	\$ (1,148,687)	\$ (196,500)
District's covered payroll	\$ 2,041,810	\$ 2,217,715	\$ 2,055,943
District's proportionate share of the net pension (liability) asset as a percentage of its covered -employee payroll	33.66%	51.80%	9.56%
Plan fiduciary net position as a percentage of the total pension (liability) asset	94.70%	90.68%	97.95%
<u>NYSTRS Pension Plan</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension (liability) asset	0.033606%	0.033323%	0.033159%
District's proportionate share of the net pension (liability) asset	\$ (359,933)	\$ 3,461,165	\$ 3,693,725
District's covered payroll	\$ 5,600,425	\$ 5,309,852	\$ 5,135,354
District's proportionate share of the net pension (liability) asset as a percentage of its covered -employee payroll	6.43%	65.18%	71.93%
Plan fiduciary net position as a percentage of the total pension (liability) asset	99.01%	110.46%	111.48%

* The amounts presented for each fiscal year were determined as of the measurement dates of the plan.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED JUNE 30,**

NYSERS Pension Plan					
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 320,898	\$ 404,110	\$ 369,265	\$ 281,960	\$ 348,459
Contributions in relation to the contractually required contribution	<u>320,898</u>	<u>404,110</u>	<u>369,265</u>	<u>281,960</u>	<u>348,459</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,150,466	\$ 2,197,488	\$ 2,194,185	\$ 1,710,729	\$ 1,715,615
Contributions as a percentage of covered employee payroll	14.92%	18.39%	16.83%	16.48%	20.31%
NYSTRS Pension Plan					
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 636,628	\$ 687,626	\$ 877,467	\$ 795,946	\$ 578,877
Contributions in relation to the contractually required contribution	<u>636,628</u>	<u>687,626</u>	<u>877,467</u>	<u>795,946</u>	<u>578,877</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 5,546,969	\$ 5,600,425	\$ 5,309,852	\$ 5,135,354	\$ 5,120,392
Contributions as a percentage of covered employee payroll	11.48%	12.28%	16.53%	15.50%	11.31%

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$29,809,970
Add: Prior year's encumbrances	<u>98,108</u>
Final Budget	<u>\$29,908,078</u>
Budget Revision:	
Donations	<u>14,223</u>
Final Budget	<u><u>\$29,922,301</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-2018 voter-approved expenditure budget	<u>\$30,242,460</u>
Maximum allowed (4% of 2017-2018 budget)	<u>\$1,209,698</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$518,734
Unassigned fund balance	<u>1,203,548</u>
Total unrestricted fund balance	1,722,282
Less:	
Appropriated fund balance	\$380,000
Encumbrances included in assigned fund balance	<u>138,734</u>
Total adjustments	<u>518,734</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$1,203,548</u></u>
Actual percentage	3.98%

POCANTICO HILLS CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
JUNE 30, 2017

Project Title	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2017	
			Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
2016-2017 Capital Projects	\$350,550	\$350,550	\$ -		\$ -	\$350,550			\$350,550	\$350,550	\$350,550
2013-2014 Capital Projects	135,000	135,000	134,886		134,886	114			135,000	135,000	114
Auditorium Renovation Project	601,520	601,520	43,792	\$102,940	146,732	454,788			601,520	601,520	454,788
2016-2017 school buses	118,000	118,000		93,195	93,195	24,805				-	(93,195) *
2015-2016 school buses	129,000	129,000	118,380		118,380	10,620	\$118,500			118,500	120
2014-2015 school buses	140,000	140,000	131,413		131,413	8,587	132,000			132,000	587
2013-2014 school buses	154,000	154,000	153,158		153,158	842	154,000			154,000	842
Smart Schools Bond Act	101,144	101,144		74,515	74,515	26,629		\$74,515		74,515	-
TOTAL	\$1,729,214	\$1,729,214	\$581,629	\$270,650	\$852,279	\$876,935	\$404,500	\$ 74,515	\$1,087,070	\$1,566,085	\$713,806

*Negative fund balance will be eliminated when permanent financing is obtained.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 NET INVESTMENT IN CAPITAL ASSETS
 JUNE 30, 2017**

Capital assets, net		\$17,917,030
Deduct:		
Bond anticipation notes	\$93,200	
Short-term portion of bonds payable	820,000	
Long-term portion of bonds payable	11,655,000	
Less: Unspent bond proceeds	<u>(1,660)</u>	
		<u>12,566,540</u>
Net Investment in Capital Assets		<u><u>\$5,350,490</u></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*

To the Board of Education
Pocantico Hills Central School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Pocantico Hills Central School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pocantico Hills Central School 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 Pocantico Hills Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pocantico Hills Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pocantico Hills Central School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Pocantico Hills Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

R.S. Abrams + Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 10, 2017