

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

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, 2018, 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.

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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, 2018, 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.

Emphasis of Matter - Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, Pocantico Hills Central School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 15 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 September 27, 2018, 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
September 27, 2018

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018. 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 2018 are as follows:

- The District's Fund Financial Statements report a combined ending fund balance of approximately \$19.46 million dollars, an increase of approximately \$4.37 million over the \$15.09 million reported for the 2016-2017 school year. This includes funds that have been assigned or restricted for a particular purpose as well as funds that are unassigned. Approximately 6.42% or \$1,223,569 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 2017-2018 school year the Board of Education settled several tax certiorari claims totaling approximately \$228,358. 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 2017-2018 budget, bringing the total for the fiscal year ended June 30, 2018 to \$14,975,026.
- 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 reserve was established for the purpose of financing retirement contributions to the New York State and Local Employees' Retirement System. 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 the capital reserve. The retirement reserve and the capital reserve were funded in the amounts of \$118,983 and \$2,149,380, respectively, from the unexpended portion of the 2017-2018 budget.
- The District further promoted financial stability by pre-paying the remaining principal on the \$1,196,000 School District (Serial) Bonds issued in 2008 for the payment of tax certiorari settlements. This early redemption results in interest savings of \$224,369.
- The District implemented GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the restatement of opening Net Position to reflect the total OPEB liability, rather than the net OPEB liability. The total OPEB liability at June 30, 2018 was \$34,849,779.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

2. OVERVIEW OF THE FINANCIAL STATEMENTS

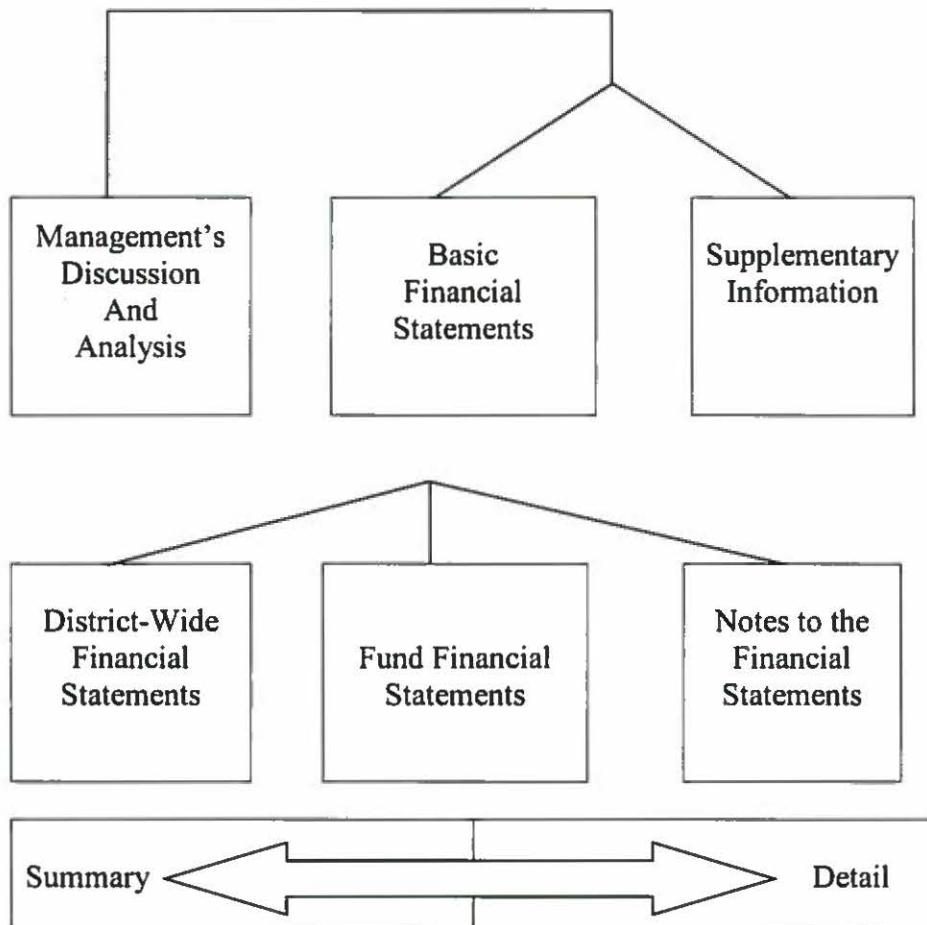
This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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, 2018**

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, 2018**

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, 2018**

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, 2018**

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 District's total net position increased by \$4,449,468 in the fiscal year ended June 30, 2018, as detailed in Table A-3.

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

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Fiscal Year 2018	Fiscal Year 2017*	Increase (Decrease)	Total Percentage Change
Current assets and other assets	\$ 22,454,737	\$ 18,497,414	\$ 3,957,323	21.39%
Capital assets, net	17,881,105	17,917,030	(35,925)	-0.20%
Net pension asset, proportionate share	260,549		260,549	N/A
Total Assets	40,596,391	36,414,444	4,181,947	11.48%
Deferred outflows of resources	4,183,595	4,118,965	64,630	1.57%
Total assets and deferred outflows of resources	<u>\$44,779,986</u>	<u>\$40,533,409</u>	<u>\$4,246,577</u>	10.48%
Current liabilities	\$ 3,018,064	\$ 3,430,532	\$ (412,468)	-12.02%
Long-term liabilities	48,175,553	49,214,136	(1,038,583)	-2.11%
Total Liabilities	51,193,617	52,644,668	(1,451,051)	-2.76%
Deferred inflows of resources	1,490,572	242,412	1,248,160	514.89%
Total liabilities and deferred inflows of resources	<u>52,684,189</u>	<u>52,887,080</u>	<u>(202,891)</u>	-0.38%
Net Position				
Net investment in capital assets	\$ 6,226,105	\$ 5,350,490	\$ 875,615	16.37%
Restricted	17,741,912	12,584,176	5,157,736	40.99%
Unrestricted (deficit)	(31,872,220)	(30,288,337)	(1,583,883)	-5.23%
Total Net Position	<u>(7,904,203)</u>	<u>(12,353,671)</u>	<u>4,449,468</u>	36.02%
Total Liabilities and Net Position	<u>\$ 44,779,986</u>	<u>\$ 40,533,409</u>	<u>\$ 4,246,577</u>	10.48%

*Long-term liabilities and unrestricted net position for 2017 have been restated for the implementation of GASB Statement No. 75. See Footnote 15 for further information.

Current and other assets increased by \$3,957,323 as compared to the prior year. The increase is primarily related to an increase in cash.

Capital assets (net of depreciation) decreased by \$35,925, 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 District reported a net pension asset - proportionate share for the teachers' retirement system in the amount of \$260,549 as a result of the actuarial valuation provided by the state. In the prior year, it reported a net pension liability for the teachers' retirement system. The changes in deferred outflows represent amortization of pension related items as well as the change in the District's contributions to the plans subsequent to the measurement date, as discussed in Note 13, as well as the addition of deferred outflows related to the total other post-employment benefits obligation, as discussed in Note 15.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Current liabilities decreased by \$412,468 as compared to the prior year. This decrease is primarily related to decreases in accrued liabilities, due to other governments, and due to teachers' retirement system offset by an increase in accounts payable.

Long-term liabilities decreased by \$1,038,583, as compared to the prior year. This decrease is primarily due to the net pension liability decreasing and current year principal payments on debt offset by the increase in total other post-employment benefits obligation. The changes in deferred inflows represent amortization of pension related items as discussed in Note 13.

The net investment in capital assets of \$6,226,105 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 \$875,615, 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 \$17,741,912 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 \$5,157,736 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 \$31,872,220 relates to the balance of the District's net position. The unrestricted net deficit increased by \$1,583,883.

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, 2018 and 2017 is as follows:

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 520,608	\$ 483,905	\$ 36,703	7.58%
Operating Grants	459,871	397,302	62,569	15.75%
Capital Grants	26,577	74,515	(47,938)	-64.33%
General Revenues				
Property Taxes & Other Tax Items	25,950,913	25,326,677	624,236	2.46%
State Sources	2,916,610	3,177,393	(260,783)	-8.21%
Use of Money & Property	358,515	246,182	112,333	45.63%
Other	134,431	139,875	(5,444)	-3.89%
Total Revenues	<u>30,367,525</u>	<u>29,845,849</u>	<u>521,676</u>	<u>1.75%</u>
Expenses				
General Support	4,110,508	4,933,216	(822,708)	-16.68%
Instruction	18,211,772	20,198,577	(1,986,805)	-9.84%
Pupil Transportation	1,920,956	1,758,061	162,895	9.27%
Community services	915,178	850,389	64,789	7.62%
Debt Service - Interest	554,770	587,811	(33,041)	-5.62%
Food Service Program	204,873	197,187	7,686	3.90%
Total Expenses	<u>25,918,057</u>	<u>28,525,241</u>	<u>(2,607,184)</u>	<u>-9.14%</u>
Increase (Decrease) in Net Position	<u>\$ 4,449,468</u>	<u>\$ 1,320,608</u>	<u>\$ 3,128,860</u>	<u>236.93%</u>

Information for 2017 was not restated because the information necessary was not readily available. The cumulative effect of applying the change in accounting principle is shown as an adjustment to the beginning net position in 2018. See Note 15 for more information.

The District's total fiscal year 2018 revenues totaled \$30,367,525. Property taxes and state sources accounted for most of the District's revenue by contributing 85.46% and 9.60%, 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 \$25,918,057 for fiscal year 2018. These expenses are predominantly related to instruction, which account for 70.27% of District expenses. The District's general support activities accounted for 15.86% of total costs. Total expenses decreased by \$2,607,184 or 9.14%.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Table A-5: Revenues for Fiscal Year 2018 (See Table A-4)

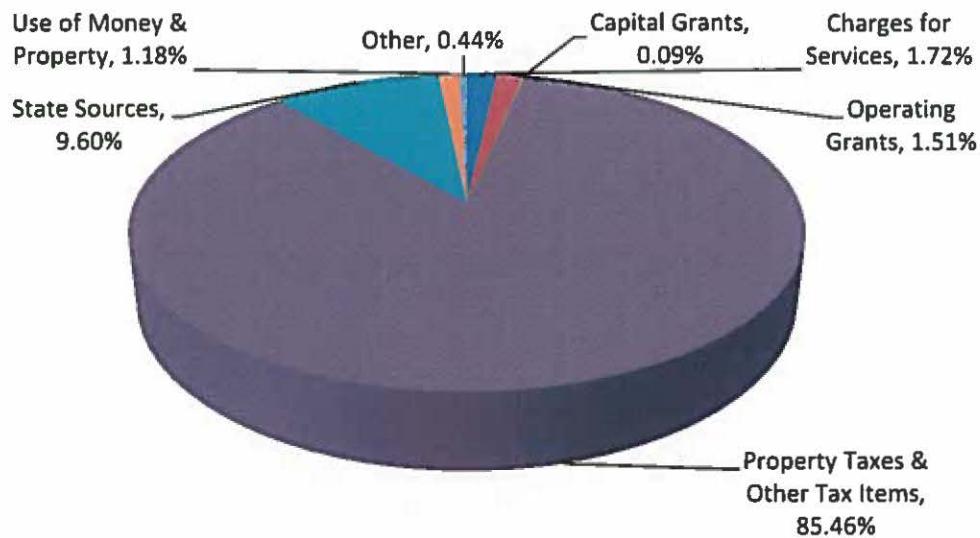
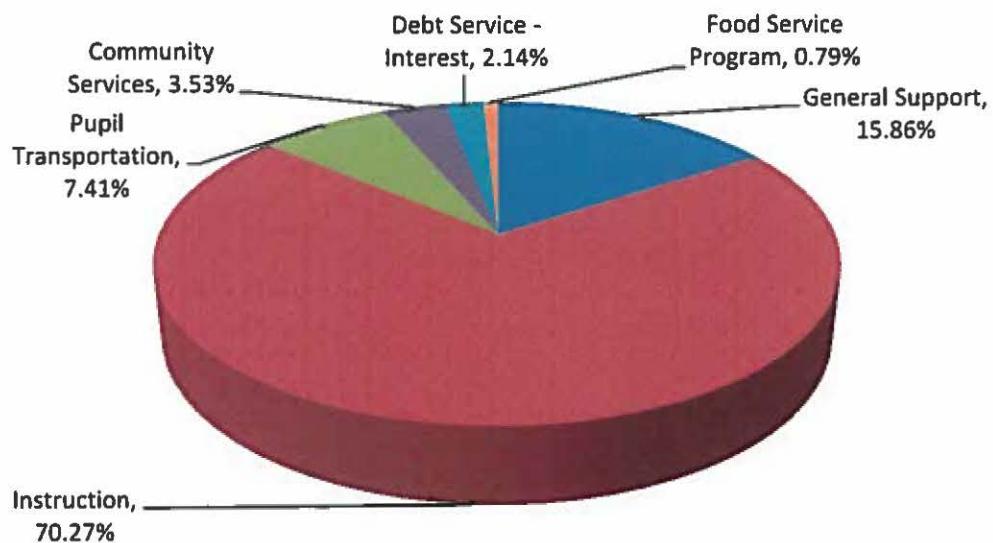


Table A-6: Expenses for Fiscal Year 2018 (See Tables A-4 and A-7)



**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

C. Governmental Activities

Revenues for the District's governmental activities totaled \$30,367,525 while expenses equaled \$25,918,057. The overall increase in net position for governmental activities was \$4,449,468. 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, 2018, the District's combined governmental funds reported a total fund balance of \$19,456,920 which is an increase of \$4,366,656 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, 2018**

	2018	2017	Increase (Decrease)	Total Percentage Change
General Fund				
Restricted				
Tax certiorari	\$14,975,026	\$12,064,176	\$2,910,850	24.13%
Retirement contribution	319,388	200,000	119,388	59.69%
Employee benefit accrued liability	197,916	220,000	(22,084)	-10.04%
Capital	2,249,582	100,000	2,149,582	2149.58%
Assigned				
Designated for subsequent year's expenditures		380,000	(380,000)	-100.00%
General support	32,734	106,795	(74,061)	-69.35%
Instruction	47,390	28,718	18,672	65.02%
Pupil transportation	1,680	68	1,612	2370.59%
Community service	7,037	3,153	3,884	123.18%
Employee benefits	1,450		1,450	N/A
Unassigned	<u>1,223,569</u>	<u>1,203,548</u>	<u>20,021</u>	<u>1.66%</u>
Total Fund Balance - General Fund	<u>19,055,772</u>	<u>14,306,458</u>	<u>4,749,314</u>	<u>33.20%</u>
School Lunch Fund				
Nonspendable: inventory	1,944	1,855	89	4.80%
Assigned	<u>54,039</u>	<u>68,145</u>	<u>(14,106)</u>	<u>-20.70%</u>
Total Fund Balance - School Lunch Fund	<u>55,983</u>	<u>70,000</u>	<u>(14,017)</u>	<u>-20.02%</u>
Capital Projects Fund				
Restricted				
		1,660	(1,660)	-100.00%
Assigned				
	<u>345,165</u>	<u>712,146</u>	<u>(366,981)</u>	<u>-51.53%</u>
Total Fund Balance - Capital Projects Fund	<u>345,165</u>	<u>713,806</u>	<u>(368,641)</u>	<u>-51.64%</u>
Total Fund Balances - All Funds	<u>\$ 19,456,920</u>	<u>\$ 15,090,264</u>	<u>\$ 4,366,656</u>	<u>28.94%</u>

A. General Fund

The net change of \$4,749,314 can be attributable to revenues and other financing sources of \$29,795,403 exceeding total expenditures and other financing uses of \$25,046,089.

B. School Lunch Fund

The net change in the school lunch fund of \$14,017 is primarily attributable to an operating loss of \$64,017 offset by a transfer from the general fund in the amount of \$50,000.

C. Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$368,641. This decrease was due to capital outlay of \$661,755 and a transfer of \$1,663 back to the general fund to return unspent funds on completed projects offset by the transfer of \$175,000 for capital projects from the

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

general fund, reimbursement received in the amount of \$26,577 from the Smart Schools Bond Act, and bond anticipation notes redeemed from appropriations in the amount of \$93,200.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2017-2018 Budget

The District's general fund adopted budget for the year ended June 30, 2018 was \$30,242,460. This amount was increased by encumbrances carried forward from the prior year in the amount of \$138,734, and budget revisions for donations of \$3,230 for a final budget of \$30,384,424. The majority of the funding was from property taxes of \$24,934,530.

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	\$ 1,203,548
Revenues under budget	(70,287)
Expenditures and encumbrances under budget	5,248,044
Transfers to reserves	(5,268,363)
Interest allocated to reserves	(140,159)
Use of reserves	<u>250,786</u>
Closing, unassigned fund balance	<u>\$ 1,223,569</u>

The opening, unassigned fund balance of \$1,203,548 represents the fund balance from June 30, 2017 that was retained.

The revenues under budget in the amount of \$70,287 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 \$5,248,044 were primarily attributable to the following expenditures: special items, teaching – regular school including the incarcerated youth program, programs for children with handicapping conditions, and employee benefits (see Supplemental Schedule #1 for detail).

The District transferred \$3,000,000 to the tax certiorari reserve, allocated interest in the amount of \$139,208 and used \$228,358 of the reserve.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The District transferred \$118,983 to the retirement contribution reserve and allocated interest in the amount of \$405.

The District transferred \$2,149,380 to the capital reserve and allocated interest in the amount of \$202.

The District allocated interest in the amount of \$344 to the employee benefit accrued liability reserve and used \$22,428 of the reserve.

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 2018-2019 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 2018. 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	Fiscal Year	Net Increase/ Decrease	Percentage Change
	2018	2017		
Land	\$ 599,300	\$ 599,300	\$ -	0.00%
Construction in Progress	5,390	146,732	(141,342)	-96.33%
Building & Building Improvements	27,385,104	26,474,533	910,571	3.44%
Furniture & Equipment	1,379,056	1,296,401	82,655	6.38%
Licensed Vehicles	1,733,616	1,614,669	118,947	7.37%
Subtotal	31,102,466	30,131,635	970,831	3.22%
Less: Accumulated Depreciation	13,221,361	12,214,605	1,006,756	8.24%
Total Net Capital Assets	\$ 17,881,105	\$ 17,917,030	\$ (35,925)	-0.20%

The District spent \$661,755 in the capital project fund on construction in progress during the year for annual capital projects approved by residents in May 2015, May 2016, and May 2017, building and building improvements and computer equipment.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

B. Debt Administration

At June 30, 2018, the District had total bonds payable of \$12,920,000. During the 2018 fiscal year, the District reduced existing debt with principal payments of \$1,685,000. 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, 2018 and 2017 is as follows:

Table A-9 Outstanding Debt

	Fiscal Year 2018	Fiscal Year 2017	Increase/ Decrease
Bonds payable:			
General obligation debt:			
Tax Certiorari:			
2008		\$775,000	\$ (775,000)
2009	\$1,265,000	1,355,000	(90,000)
Construction 2010	11,330,000	12,115,000	(785,000)
Construction 2012	325,000	360,000	(35,000)
Total bonds payable	\$12,920,000	\$14,605,000	(\$1,685,000)

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- The general fund budget for the 2018-2019 school year was approved by the voters in the amount of \$31,031,090. This is an increase of \$788,630 or 2.61% from the previous year's budget. The increase was primarily due to increases in employee benefits, instruction and community service, offset by decreases in transfers to capital 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 2017-2018 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.

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, 2018**

ASSETS	
Current assets	
Cash	
Unrestricted	\$2,855,903
Restricted	17,741,912
Receivables	
State and federal aid	1,433,382
Due from other governments	261,363
Due from fiduciary funds	135,881
Other	24,352
Inventories	1,944
Non-current assets	
Capital assets	
Not being depreciated	604,690
Being depreciated, net of accumulated depreciation	17,276,415
Net pension asset-proportionate share - teachers' retirement system	260,549
TOTAL ASSETS	<u>40,596,391</u>
DEFERRED OUTFLOWS OF RESOURCES	
Other post-employment benefits obligation	22,705
Pensions	4,160,890
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,183,595</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$44,779,986</u>
LIABILITIES	
Payables	
Accounts payable	\$953,933
Accrued liabilities	131,651
Accrued interest payable	20,247
Due to other governments	946,974
Due to teachers' retirement system	579,878
Due to employees' retirement system	79,000
Uncarried credits	
Collections in advance	306,381
Long-term liabilities	
Due and payable within one year	
Bonds payable	930,000
Due and payable after one year	
Bonds payable	11,990,000
Compensated absences payable	186,305
Total other post-employment benefits obligation	34,849,779
Net pension liability-proportionate share - employees' retirement system	219,469
TOTAL LIABILITIES	<u>51,193,617</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>1,490,572</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>52,684,189</u>
NET POSITION	
Net investment in capital assets	<u>6,226,105</u>
Restricted	
Tax certiorari	14,975,026
Retirement contribution	319,388
Employee benefit accrued liability	197,916
Capital	2,249,582
	<u>17,741,912</u>
Unrestricted (Deficit)	<u>(31,872,220)</u>
TOTAL NET POSITION (DEFICIT)	<u>(7,904,203)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$44,779,986</u>

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	FUNCTIONS / PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants	
TOTAL FUNCTIONS AND PROGRAMS		<u>(\$25,918,057)</u>	<u>\$520,608</u>	<u>\$459,871</u>	<u>\$26,577</u>
GENERAL REVENUES					24,516,887
Real property taxes					1,434,026
Other tax items - including STAR reimbursement					358,515
Use of money & property					134,431
Miscellaneous					2,916,610
State sources					<u>29,360,469</u>
TOTAL GENERAL REVENUES					<u>(12,353,671)</u>
CHANGE IN NET POSITION					4,449,468
TOTAL NET POSITION - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 15)					<u>(\$7,904,203)</u>

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash					
Unrestricted	\$1,941,951	\$597,207		\$316,745	\$2,855,903
Restricted	17,741,912				17,741,912
Receivables					
State and federal aid	1,034,296	368,132	\$4,377	26,577	1,433,382
Due from other governments	261,363				261,363
Due from other funds	1,776,794	189,884	226,287	377,783	2,570,748
Accounts receivable	24,131		221		24,352
Inventories			1,944		1,944
TOTAL ASSETS	\$22,780,447	\$1,155,223	\$232,829	\$721,105	\$24,889,604
LIABILITIES AND FUND BALANCES					
Payables					
Accounts payable	\$774,469	\$34,472	\$87,261	\$57,731	\$953,933
Accrued liabilities	129,173	1,000	1,478		131,651
Due to other governments	946,974				946,974
Due to other funds	913,210	1,119,751	83,697	318,209	2,434,867
Due to teachers' retirement system	579,878				579,878
Due to employees' retirement system	79,000				79,000
Uncarried Credits					
Collections in advance	301,971		4,410		306,381
TOTAL LIABILITIES	3,724,675	1,155,223	176,846	375,940	5,432,684
FUND BALANCES					
Nonspendable: Inventory				1,944	1,944
Restricted					
Tax certiorari	14,975,026				14,975,026
Retirement contribution	319,388				319,388
Employee benefit accrued liability	197,916				197,916
Capital	2,249,582				2,249,582
Assigned					
Unappropriated fund balance	90,291		54,039	345,165	489,495
Unassigned	1,223,569				1,223,569
TOTAL FUND BALANCES	19,055,772	-	55,983	345,165	19,456,920
TOTAL LIABILITIES AND FUND BALANCES	\$22,780,447	\$1,155,223	\$232,829	\$721,105	\$24,889,604

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Governmental Fund Balances	\$ 19,456,920
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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	\$ 31,102,466	
Accumulated depreciation	<u>(13,221,361)</u>	17,881,105

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 and OPEB that will be recognized as expenditures in future periods amounted to:

Deferred outflows related to pensions	4,160,890
Deferred outflows related to total OPEB liability	22,705

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. These amounts will be amortized in future years.

Deferred inflows related to pensions	(1,490,572)
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Certain disbursements previously expended in the governmental funds and invested with the pension system are treated as long term assets and increase net position. The teachers' retirement system pension asset - proportionate share amounted to:

260,549

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:

(20,247)

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	\$(12,920,000)	
Compensated absences payable	(186,305)	
Total other post-employment benefits obligation	(34,849,779)	
Net pension liability-proportionate share - employees' retirement system	<u>(219,469)</u>	<u>(48,175,553)</u>

Total Net Position	<u>\$ (7,904,203)</u>
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POCANTICO HILLS CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Special Aid	School Lunch	Capital Projects	Totals Governmental Funds
REVENUES					
Real property taxes	\$24,516,887				\$24,516,887
Other tax items - including STAR reimbursement	1,434,026				1,434,026
Charges for services	433,294				433,294
Use of money and property	358,515				358,515
Sale of property and compensation for loss	3,691				3,691
Miscellaneous	130,717		\$23		130,740
State sources	2,916,610	\$115,822	2,279	\$26,577	3,061,288
Federal sources		294,841	46,929		341,770
Sales			87,314		87,314
TOTAL REVENUES	29,793,740	410,663	136,545	26,577	30,367,525
EXPENDITURES					
General support	3,220,146				3,220,146
Instruction	13,391,356	386,175			13,777,531
Pupil transportation	1,164,515	42,644			1,207,159
Community service	573,188				573,188
Employee benefits	4,117,623		41,441		4,159,064
Debt service - principal	1,778,200				1,778,200
Debt service - interest	557,905				557,905
Cost of sales			159,121		159,121
Capital outlay				661,755	661,755
TOTAL EXPENDITURES	24,802,933	428,819	200,562	661,755	26,094,069
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,990,807	(18,156)	(64,017)	(635,178)	4,273,456
OTHER FINANCING SOURCES AND (USES)					
Operating transfers in	1,663	18,156	50,000	175,000	244,819
Operating transfers (out)	(243,156)			(1,663)	(244,819)
Bond anticipation notes redeemed from appropriations				93,200	93,200
TOTAL OTHER FINANCING SOURCES AND (USES)	(241,493)	18,156	50,000	266,537	93,200
NET CHANGE IN FUND BALANCES	4,749,314	-	(14,017)	(368,641)	4,366,656
FUND BALANCES - BEGINNING OF YEAR	14,306,458	-	70,000	713,806	15,090,264
FUND BALANCES - END OF YEAR	\$19,055,772	\$ -	\$55,983	\$345,165	\$19,456,920

**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, 2018**

Net Change in Fund Balances	\$4,366,656
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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, 2018 changed by:

34,835

Changes in the proportionate share of net pension asset/liability, and total other post employment benefits obligation 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	(\$107,460)
Employees' retirement system	(10,477)
Other post-employment benefits obligation	<u>(1,486,296)</u>

(1,604,233)

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.

1,685,000

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 of 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, 2017 to June 30, 2018 changed by:

3,135

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	\$970,831
Depreciation expense	<u>(1,006,756)</u>

(35,925)

Change in Net Position

\$4,449,468

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash - Restricted	\$13,630	\$152,126
TOTAL ASSETS	<u>\$13,630</u>	<u>\$152,126</u>
LIABILITIES		
Due to governmental funds		\$135,881
Extraclassroom activity balance		1,941
Other liabilities		14,304
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$152,126</u>
NET POSITION		
Restricted for scholarships	<u>13,630</u>	
TOTAL NET POSITION	<u>\$13,630</u>	

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Interest and earnings	\$195
TOTAL ADDITIONS	<u>195</u>
DEDUCTIONS	
Scholarships and awards	825
CHANGE IN NET POSITION	(630)
NET POSITION - BEGINNING OF YEAR	<u>14,260</u>
NET POSITION - END OF YEAR	<u>\$13,630</u>

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

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, 2018**

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.

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.

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.

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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, 2018.

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, 2018 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 two items that qualify for reporting in this category. These amounts are related to pensions and the other post-employment benefits liability reported in the District-Wide Statement of Net Position, and are detailed further in Notes 13 and 15.

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In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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, and is detailed further in Note 13.

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.

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) and 457.

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

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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. 75.

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.

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:

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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 \$1,944.
- 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 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.

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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, it's 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.

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, 2018.
- 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

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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, 2018: Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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. The adoption of this Statement resulted in the restatement of certain items pertaining to the June 30, 2017 District-Wide Financial Statements. Refer to Note 15 for more information.

U) Future changes in accounting standards:

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal year ended June 30, 2019, which provides guidance for the reporting of certain legally enforceable liabilities associated with the retirement of a tangible capital asset.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the fiscal year ended June 30, 2020. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported.

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2021. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

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.

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NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 three 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:

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.

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NOTES TO FINANCIAL STATEMENTS
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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 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

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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.

All of the District's aggregate bank balances were covered by depository insurance or collateralized with securities held by the pledging financial institution in the District's name 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, 2018 included \$17,741,912 within the governmental funds for general reserve purposes and capital projects and \$165,756 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 investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. At June 30, 2018, the District held \$157,725 in investments consisting of various investments in securities issued by the United States and its agencies.

Total investments of the cooperative at June 30, 2018 are \$988,442,544, which consisted of \$213,214,286 in repurchase agreements, \$775,228,258 in U.S. Treasury Securities in U.S. Government Guaranteed Securities at various interest rates with various due dates, and \$231,043,452 in collateralized bank deposits.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
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<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
General Fund	\$ 138,662	\$ 138,662
Special Aid Fund	3,180	3,180
Fiduciary Funds	15,883	15,883
	<u>\$ 157,725</u>	<u>\$ 157,725</u>

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, 2018, the District was billed \$3,703,625 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$248,831. 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, 2018 consisted of the following:

Southern Westchester BOCES Aid	\$ 196,656
Westchester County sales tax	<u>64,707</u>
Total Due from other governments	<u><u>\$ 261,363</u></u>

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, 2018 consisted of the following:

General Fund	
Excess cost aid	\$ 50,164
Incarcerated youth aid	<u>984,132</u>
Total - General fund	<u>\$ 1,034,296</u>
Special Aid Fund	
Federal grants	\$ 235,873
State grants	<u>132,259</u>
Total - Special aid fund	<u>\$ 368,132</u>
School Lunch Fund	
Federal grants	\$ 4,172
State grants	<u>205</u>
Total - Special aid fund	<u>\$ 4,377</u>
Capital Fund	
State grants	<u>\$ 26,577</u>
Total - All Funds	<u>\$ 1,433,382</u>

District management has deemed these amounts to be fully collectible.

POCANTICO HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 - CAPITAL ASSETS:

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

	Beginning Balance	Additions	Disposals/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$599,300			\$599,300
Construction in progress	146,732	\$5,390	(\$146,732)	5,390
Total capital assets not being depreciated	<u>746,032</u>	<u>5,390</u>	<u>(146,732)</u>	<u>604,690</u>
Capital assets being depreciated:				
Building & building				
Improvements	26,474,533	763,839	146,732	27,385,104
Furniture and equipment	1,296,401	82,655		1,379,056
Licensed vehicles	<u>1,614,669</u>	<u>118,947</u>		<u>1,733,616</u>
Total capital assets being depreciated	<u>29,385,603</u>	<u>965,441</u>	<u>146,732</u>	<u>30,497,776</u>
Less accumulated depreciation:				
Building & improvements	10,354,690	797,189		11,151,879
Furniture and equipment	787,711	77,486		865,197
Licensed vehicles	<u>1,072,204</u>	<u>132,081</u>		<u>1,204,285</u>
Total accumulated depreciation	<u>12,214,605</u>	<u>1,006,756</u>	-	<u>13,221,361</u>
Total capital assets being depreciated, net	<u>17,170,998</u>	<u>(41,315)</u>	<u>146,732</u>	<u>17,276,415</u>
Total capital assets, net	<u>\$17,917,030</u>	<u>(\$35,925)</u>	\$ -	<u>\$17,881,105</u>

Depreciation expense was charged to government functions as follows:

Instruction	\$765,699
General support	39,105
School lunch program	4,311
Transportation	131,030
Community services	<u>66,611</u>
Total depreciation expense	<u>\$1,006,756</u>

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 9 – UNEARNED CREDITS – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2018 consisted of the following:

General Fund	
Summer programs 2018-2019	<u>\$301,971</u>
School Lunch Fund	
Prepaid account balances	<u>\$4,410</u>
Total - All Funds	<u>\$306,381</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.

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$1,776,794	\$913,210	\$1,663	\$243,156
Special aid fund	189,884	1,119,751	18,156	
School lunch fund	226,287	83,697	50,000	
Capital projects fund	377,783	318,209	175,000	1,663
Total government activities	2,570,748	2,434,867	244,819	244,819
Fiduciary funds		135,881		
Totals	<u>\$2,570,748</u>	<u>\$2,570,748</u>	<u>\$244,819</u>	<u>\$244,819</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. The District typically transfers from the capital projects fund to the general fund to return unused funds on capital projects.

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

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

	Interest Maturity	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	6/15/2018	\$ 93,200		\$ 93,200	\$ -
	Total	<u>\$ 93,200</u>	<u>\$ -</u>	<u>\$ 93,200</u>	<u>\$ -</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	\$3,262
Less interest accrued in the prior year	(272)
Plus interest accrued in the current year	-
Total expense	<u><u>\$2,990</u></u>

NOTE 12 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due within one year
Bonds payable					
Tax certiorari bonds payable	\$2,130,000		\$865,000	\$1,265,000	\$90,000
Construction bonds payable	12,475,000		820,000	11,655,000	840,000
Total bonds payable	<u>14,605,000</u>	<u>-</u>	<u>1,685,000</u>	<u>12,920,000</u>	<u>930,000</u>
Other liabilities					
Compensated absences payable	221,140		34,835	186,305	
Total other post-employment benefits	* 33,340,778	2,490,989	981,988	34,849,779	
Net pension liability - proportionate share	1,047,218		827,749	219,469	
Total other liabilities	<u>34,609,136</u>	<u>2,490,989</u>	<u>1,844,572</u>	<u>35,255,553</u>	<u>-</u>
Total long-term liabilities	<u><u>\$49,214,136</u></u>	<u><u>\$2,490,989</u></u>	<u><u>\$3,529,572</u></u>	<u><u>\$48,175,553</u></u>	<u><u>\$930,000</u></u>

*Beginning balance as restated

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, compensated absences, 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	2029	2.00%-4.00%	\$1,265,000
Construction	2010	2030	2.50%-4.00%	11,330,000
Construction	2012	2027	1.30%-2.80%	325,000
				<u><u>\$12,920,000</u></u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	\$930,000	\$485,925	\$1,415,925
2020	965,000	457,635	1,422,635
2021	995,000	426,193	1,421,193
2022	1,030,000	392,688	1,422,688
2023	1,070,000	356,881	1,426,881
2024-2028	5,670,000	1,127,993	6,797,993
2029-2030	2,260,000	133,600	2,393,600
	<u><u>\$12,920,000</u></u>	<u><u>\$3,380,915</u></u>	<u><u>\$16,300,915</u></u>

B) Long-Term Interest:

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

	Total
Interest paid	\$554,643
Less interest accrued in the prior year	(23,110)
Plus interest accrued in the current year	20,247
Total expense	\$551,780

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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
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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:

	NYSERS	NYSTRS
2018	\$ 312,035	\$ 539,058
2017	\$ 320,898	\$ 636,628
2016	\$ 404,110	\$ 687,626

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

At June 30, 2018, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension

POCANTICO HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

asset/(liability) used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Net pension asset/(liability)	\$ (219,469)	\$ 260,549
District's portion of the Plan's total net pension liability	0.0068001%	0.034278%
Change in proportion since the prior measurement date	0.000514%	0.000672%

For the year ended June 30, 2018, the District recognized pension expense of \$318,293 for ERS and \$646,561 for TRS. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</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	\$ 78,278	\$ 214,368	\$ 64,686	\$ 101,585
Net difference between projected and actual earnings on pension plan investments	318,762		629,203	613,668
Changes of assumptions	145,526		2,651,137	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	133,921	840	22,636	58,794
District's contributions subsequent to the measurement date	79,000	539,058		
	<u>\$ 755,487</u>	<u>\$ 3,405,403</u>	<u>\$ 716,525</u>	<u>\$ 774,047</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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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	<u>ERS</u>	<u>TRS</u>
Fiscal Year ended:		
2019	\$ 99,948	51,804
2020	79,422	692,920
2021	(149,026)	493,450
2022	(70,382)	116,117
2023		491,990
Thereafter		246,017
	<u><u>\$ (40,038)</u></u>	<u><u>\$ 2,092,298</u></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, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.00%	7.25%
Salary scale	3.80%	4.72% - 1.90%
Cost of living adjustments	1.3% annually	1.5% annually
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, 2017 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, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long term rate of return on pension plan investments was determined 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>	
	April 1, 2017		June 30, 2016	
<u>Asset type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36%	4.55%	35%	5.9%
International equity	14%	6.35%	18%	7.4%
Private equity	10%	7.50%	8%	9.0%
Real estate	10%	5.55%	11%	4.3%
Absolute return strategies	2%	3.75%		
Opportunistic portfolio	3%	5.68%		
Real assets	3%	5.29%		
Bonds and mortgages	17%	1.31%		
Cash	1%	-0.25%		
Inflation-indexed bonds	4%	1.25%		
Domestic fixed income securities			16%	1.6%
Global fixed income securities			2%	1.3%
High-yield fixed income securities			1%	3.9%
Mortgages			8%	2.8%
Short-term			1%	0.6%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% 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 7.25% 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-percentage point lower (6.0% for ERS and 6.25% for TRS) or 1-percentage point higher (8.0% for ERS and 8.25% for TRS) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
ERS			
District's proportionate share of the net pension asset (liability)	<u>(\$1,660,563)</u>	<u>(\$219,469)</u>	<u>\$999,638</u>
TRS			
District's proportionate share of the net pension asset (liability)	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
	<u>(\$4,488,488)</u>	<u>\$260,549</u>	<u>\$4,237,631</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)	
	ERS	TRS
Valuation date	April 1, 2017	June 30, 2016
Employers' total pension liability	\$ (183,400,590)	\$ (114,708,261)
Plan Fiduciary Net Position	180,173,145	115,468,360
Employers' net pension liability	<u>\$ (3,227,445)</u>	<u>\$ 760,099</u>

Ratio of plan fiduciary net position to the Employers' total pension liability	98.24%	100.66%
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**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
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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, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$79,000.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$579,878.

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, 2018, totaled \$-0- and \$433,709 respectively.

B) The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2018 totaled \$48,900.

NOTE 15 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A) General Information about the OPEB Plan:

Plan Description

The District's OPEB Plan (the "Plan"), defined as a single employer defined benefit plan, primarily provides post-employment health insurance coverage to retired employees and their eligible dependents in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program (NYSHIP), and are administered by Empire BlueCross BlueShield, United Healthcare, GHI/Value Options, and Empire BlueCross BlueShield/Caremark. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute between 80% and 100% of premiums for retirees, and 0% to 100% of the premiums for surviving spouses and dependents, depending on the coverage selected and date of retirement. The District recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For fiscal year 2018, the District contributed an estimated \$981,988 to the Plan, including \$981,988 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the "pay as you go" method.

Employees Covered by Benefit Terms

At July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	61
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	137
Total	198

B) Total OPEB Liability:

The District's total OPEB liability of \$34,849,779 was measured as of July 1, 2016, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Discount rate	3.00%
Healthcare cost trend rates	7.50% for 2016, decreasing .5% per year to an ultimate rate of 4.50% for 2022, and later years
Retirees' share of benefit-related costs	0% to 20% of health insurance premiums for retirees, 0% to 20% of premiums for family coverage, and 0% to 100% of surviving spouse coverage

The discount rate was based on a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The actuarial assumptions used in the July 1, 2016 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable. The Plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C) Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at June 30, 2017	<u>\$ 33,340,778</u>
Changes for the fiscal year:	
Service cost	1,435,942
Interest	1,028,680
Changes of benefit terms	-
Differences between expected and actual experience	26,367
Changes in assumptions or other inputs	-
Benefit payments	(981,988)
Net changes	<u>1,509,001</u>
Balance at June 30, 2018	<u><u>\$ 34,849,779</u></u>

There were no significant plan changes since the last valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00%) or 1-percentage-point higher (3.00%) than the current discount rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Total OPEB liability	<u><u>\$41,286,744</u></u>	<u><u>\$34,849,779</u></u>	<u><u>\$29,765,559</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
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percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current healthcare cost trend rates:

	Healthcare Cost Trend	
	1% Decrease	1% Increase
	(6.50% decreasing to 3.50%)	(7.50% decreasing to 4.50%)
	<hr/>	<hr/>
Total OPEB liability	<u>\$28,673,771</u>	<u>\$34,849,779</u>
	<hr/>	<hr/>
		<u>\$42,997,520</u>

D) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$2,468,284. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,705	\$ -
	<hr/>	<hr/>
	\$ 22,705	\$ -

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

Fiscal Year ended June 30:		
2019	\$	3,662
2020	\$	3,662
2021	\$	3,662
2022	\$	3,662
2023	\$	3,662
Thereafter	\$	4,395
	<hr/>	<hr/>
	\$	<u>22,705</u>

E) Restatement of Net Position:

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
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implementation of GASB Statement No. 75 resulted in the reporting of the total OPEB liability related to the District's OPEB Plan. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	\$ 9,880,642
Removal of beginning net OPEB liability	11,106,465
Addition of beginning total OPEB liability	<u>(33,340,778)</u>
Net position beginning of year, as restated	<u>\$ (12,353,671)</u>

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.

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, 2018 was \$20,784,695. Of this total undiscounted liability, \$262,134 is associated with the District. During the year ended June 30, 2018, the District's contribution to the Plan was \$75,327.

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 \$498,096 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$498,096 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 program for the purpose of economic development, and general prosperity and economic welfare of the Town. The District's property tax revenue was reduced by \$464,906 for this program. The District received Payment in Lieu of Tax (PILOT) payments totaling \$232,794 for this program during the fiscal year.

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 18 – COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

All encumbrances are classified as assigned fund balance. At June 30, 2018, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General Fund	
General Support	\$32,734
Instruction	47,390
Pupil Transportation	1,680
Community Services	7,037
Employee Benefits	1,450
	<hr/>
	\$90,291
Capital Projects Fund	
Capital projects	\$6,860
	<hr/>

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, 2018**

	<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	\$24,934,530	\$24,934,530	\$24,516,887	(\$417,643)
Other real property tax items	761,546	761,546	1,434,026	672,480
Charges for services	415,000	415,000	433,294	18,294
Use of money & property	184,560	184,560	358,515	173,955
Sale of property & compensation for loss			3,691	3,691
Miscellaneous	68,000	71,230	130,717	59,487
State Sources				
Basic formula	634,554	634,554	445,006	(189,548)
Excess cost aid			334,426	334,426
Lottery aid			30,214	30,214
BOCES aid	208,701	208,701	248,831	40,130
Textbook aid	33,153	33,153	27,203	(5,950)
Computer software aid			4,255	4,255
Library A/V loan program aid			1,775	1,775
Other state aid	2,622,416	2,622,416	1,824,900	(797,516)
Other Financing Sources				
Transfers from other funds			1,663	1,663
TOTAL REVENUES	29,862,460	29,865,690	\$29,795,403	(\$70,287)
Appropriated fund balance	380,000	380,000		
Appropriated reserves	138,734	138,734		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	\$30,381,194	\$30,384,424		

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, 2018

	<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	\$72,880	\$73,980	\$60,401		\$13,579
Central administration	331,133	333,631	329,263	\$143	4,225
Finance	513,886	557,535	521,593	8,813	27,129
Staff	414,035	411,685	382,304		29,381
Central services	1,588,010	1,581,060	1,471,857	23,778	85,425
Special items	3,163,546	2,443,546	454,728		1,988,818
Instructional					
Instruction, adm. & imp.	608,554	606,079	567,431	5,000	33,648
Teaching - regular school	9,154,381	9,107,512	8,033,098	24,199	1,050,215
Programs for children with handicapping conditions	4,985,062	5,022,362	3,821,665	13,591	1,187,106
Instructional media	700,495	716,295	666,440	3,600	46,255
Pupil services	330,976	333,926	302,722	1,000	30,204
Pupil transportation	1,337,446	1,298,546	1,164,515	1,680	132,351
Community services	620,153	617,630	573,188	7,037	37,405
Employee benefits	4,603,233	4,603,233	4,117,623	1,450	484,160
Debt Service					
Debt service - principal	1,059,000	1,779,000	1,778,200		800
Debt service - interest	558,404	558,404	557,905		499
TOTAL EXPENDITURES	30,041,194	30,044,424	24,802,933	90,291	5,151,200
Other Financing Uses					
Transfers to other funds	340,000	340,000	243,156		96,844
TOTAL EXPENDITURES AND OTHER USES	\$30,381,194	\$30,384,424	25,046,089	\$90,291	\$5,248,044
NET CHANGE IN FUND BALANCE			4,749,314		
FUND BALANCE - BEGINNING OF YEAR				14,306,458	
FUND BALANCE - END OF YEAR				\$19,055,772	

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 CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Total OPEB Liability

Service cost	\$ 1,435,942
Interest	1,028,680
Changes of benefit terms	-
Differences between expected and actual experience	26,367
Changes of assumptions or other inputs	-
Benefit payments	<u>(981,988)</u>
Net change in total OPEB liability	1,509,001
Total OPEB liability - beginning	<u>33,340,778</u>
Total OPEB liability - ending	<u>\$ 34,849,779</u>
 Covered-employee payroll	 \$ 7,552,856
 Total OPEB liability as a percentage of covered-employee payroll	 461.41%

Notes to Schedule:

Trust Assets

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75 to pay related benefits.

The amounts presented for the fiscal year were determined as of the measurement date of the plan.

**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, ***

NYSERS Pension Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension (liability) asset	0.0068001%	0.0073145%	0.0071568%	0.0058166%
District's proportionate share of the net pension (liability) asset	\$ (219,469)	\$ (687,285)	\$ (1,148,687)	\$ (196,500)
District's covered payroll	\$ 2,173,837	\$ 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	10.10%	33.66%	51.80%	9.56%
Plan fiduciary net position as a percentage of the total pension (liability) asset	98.24%	94.70%	90.68%	97.95%

NYSTRS Pension Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension (liability) asset	0.034278%	0.033606%	0.033323%	0.033159%
District's proportionate share of the net pension (liability) asset	\$ 260,549	\$ (359,933)	\$ 3,461,165	\$ 3,693,725
District's covered payroll	\$ 5,546,969	\$ 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	4.70%	6.43%	65.18%	71.93%
Plan fiduciary net position as a percentage of the total pension (liability) asset	100.66%	99.01%	110.46%	111.48%

* The amounts presented for each fiscal year were determined 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						
	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 312,035	\$ 320,898	\$ 404,110	\$ 369,265	\$ 281,960	\$ 348,459
Contributions in relation to the contractually required contribution	<u>312,035</u>	<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>					
District's covered employee payroll	\$ 2,133,728	\$ 2,150,466	\$ 2,197,488	\$ 2,194,185	\$ 1,710,729	\$ 1,715,615
Contributions as a percentage of covered employee payroll	14.62%	14.92%	18.39%	16.83%	16.48%	20.31%
NYSTRS Pension Plan						
	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 539,058	\$ 636,628	\$ 687,626	\$ 877,467	\$ 795,946	\$ 578,877
Contributions in relation to the contractually required contribution	<u>539,058</u>	<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>					
District's covered employee payroll	\$ 5,622,312	\$ 5,546,969	\$ 5,600,425	\$ 5,309,852	\$ 5,135,354	\$ 5,120,392
Contributions as a percentage of covered employee payroll	9.59%	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, 2018**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$30,242,460
Add: Prior year's encumbrances	<u>138,734</u>
Final Budget	<u>\$30,381,194</u>
Budget Revision:	
Donations	<u>3,230</u>
Final Budget	<u>\$30,384,424</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 voter-approved expenditure budget	<u>\$31,031,090</u>
Maximum allowed (4% of 2018-2019 budget)	<u>\$1,241,244</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	<u>\$90,291</u>
Unassigned fund balance	<u>1,223,569</u>
Total unrestricted fund balance	<u>1,313,860</u>
Less:	
Encumbrances included in assigned fund balance	<u>\$90,291</u>
Total adjustments	<u>90,291</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$1,223,569</u>
Actual percentage	<u>3.94%</u>

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
JUNE 30, 2018**

Project Title	Original	Revised	Expenditures to Date			Unexpended Balance	Methods of Financing			Fund Balance		
	Appropriation	Appropriation	Prior Year's	Current Year Expenditures	Transfers		Proceeds of Obligations	State Aid	Local Sources			
2016-2017 Capital Projects	\$350,550	\$350,550		\$5,390		\$5,390	\$345,160		\$350,550	\$350,550		
2013-2014 Capital Projects	135,000	135,000	\$134,886		\$114	135,000	-		135,000	135,000		
Auditorium Renovation Project	601,520	776,520	146,732	629,788		776,520	-		776,520	776,520		
2016-2017 school buses	118,000	118,000	93,195			93,195	24,805		93,200	93,200		
2015-2016 school buses	129,000	129,000	118,380		120	118,500	10,500		118,500	118,500		
2014-2015 school buses	140,000	140,000	131,413		587	132,000	8,000		132,000	132,000		
2013-2014 school buses	154,000	154,000	153,158		842	154,000	-		154,000	154,000		
Smart Schools Bond Act	101,144	101,144	74,515	26,577		101,092	52		101,092	101,092		
TOTAL	\$1,729,214	\$1,904,214	\$852,279	\$661,755	\$1,663	\$1,515,697	\$388,517	\$ -	\$ 101,092	\$1,759,770	\$1,860,862	\$345,165

**POCANTICO HILLS CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2018**

Capital assets, net	\$17,881,105
Deduct:	
Short-term portion of bonds payable	\$930,000
Long-term portion of bonds payable	11,990,000
Less: Tax certiorari bonds payable	(1,265,000)
	<u>11,655,000</u>
Net Investment in Capital Assets	<u>\$6,226,105</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, 2018, 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 September 27, 2018.

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
September 27, 2018