

Pearl River Union Free School District, New York

Financial Statements and
Supplementary Information

Year Ended June 30, 2018

Pearl River Union Free School District, New York

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
District-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Reconciliation of Governmental Funds Balance Sheet to the District- Wide Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Aid Funds	22
Statement of Assets and Liabilities - Fiduciary Fund	24
Notes to Financial Statements	25
Required Supplementary Information	
Other Post Employment Benefits	
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios	54
New York State Teachers' Retirement System	
Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset)	55
Schedule of Contributions	56
New York State and Local Employees' Retirement System	
Schedule of the School District's Proportionate Share of the Net Pension Liability	57
Schedule of Contributions	58
Combining and Individual Fund Financial Statements and Schedules	
Major Governmental Funds	
General Fund	
Comparative Balance Sheet	59
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	60
Schedule of Revenues and Other Financing Sources Compared to Budget	62
Schedule of Expenditures and Other Financing Uses Compared to Budget	64
Capital Projects Fund	
Comparative Balance Sheet	68
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	69
Project-Length Schedule	70

Pearl River Union Free School District, New York

Table of Contents (Concluded)

	<u>Page No.</u>
Special Aid Fund	
Comparative Balance Sheet	72
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	73
Non-Major Governmental Funds	
Combining Balance Sheet	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	76
School Lunch Fund	
Comparative Balance Sheet	78
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	79
Special Purpose Fund	
Comparative Balance Sheet	80
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	81
Debt Service Fund	
Comparative Balance Sheet	82
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	83
Supplementary Information	
Analysis of Change from Adopted Budget to Final Budget	84
Section 1318 of Real Property Tax Law Limit Calculation	84
Schedule of Net Investment in Capital Assets	85
Federal Programs	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	86
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	88
Schedule of Expenditures of Federal Awards	90
Notes to Schedule of Expenditures of Federal Awards	91
Schedule of Findings and Questioned Costs	92
Summary Schedule of Prior Audit Findings	93

Independent Auditors' Report

**The Board of Education of the
Pearl River Union Free School District, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pearl River Union Free School District, New York ("School District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School 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.

Auditors' 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 auditors' 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 School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School District, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General and Special Aid funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 2E and Note 3E in the notes to financial statements which disclose the effects of the School District's adoption of the provisions of Governmental Accounting Standards Board ("GASB") 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 Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents 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.

Supplementary and Other Information

Our audit for the year ended June 30, 2018 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* for the year ended June 30, 2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2018 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2018.

We also previously 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 basic financial statements of the School District as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated October 9, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended June 30, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2017 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP
Harrison, New York
October 1, 2018

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Pearl River Union Free School District, New York

Management's Discussion and Analysis (MD&A)

June 30, 2018

Introduction

This discussion and analysis of the Pearl River Union Free School District, New York's ("School District") financial performance provides an overview of the School District's financial activities for the year ended June 30, 2018. It should be read in conjunction with the basic financial statements, which immediately follows this section, to enhance understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- New York State Law limits the amount of committed, assigned and unassigned fund balance, exclusive of encumbrances and amounts assigned for the subsequent year's budget that can be retained by the General Fund to 4% of the ensuing year's budget. At the end of the current fiscal year, this amount for the General Fund was \$1,313,983 and this amount was within the statutory limit.
- The School District's General Fund assets decreased by \$77,147. This decrease appears primarily in cash and equivalent accounts while liabilities increased by \$660,216. The net effect was a decrease in fund balance of \$ 737,363
- Within the General Fund, actual revenues and other financing sources exceeded the final budget by \$503,800, while actual expenditures and other financing uses were less than the final budget by \$229,610, for a combined positive budget variance of \$733,410. On a category basis, actual State Aid revenues were below expectations by \$62,339. Employee benefits was underspent by \$46,426 while instruction expenses were underspent by \$165,484.
- On the district-wide financial statements, liabilities and deferred inflows of resources of the School District exceeded assets and deferred outflows by \$62,469,714. Of this amount, the unrestricted portion is a deficit of \$96,756,774. This deficit results primarily from the accrual of certiorari judgments that had been funded by the issuance of serial bonds. This deficit also results from the recognition of the other post employment benefit ("OPEB") obligations of \$109,998,551 as required under the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75. These obligations include any benefits provided to retirees, other than a pension, including health insurance, life insurance, vision, dental, etc. GASB Statement No. 75 established standards for accrual based measurement and recognition of OPEB expenses over periods that approximate employees' years of active service, as well as the required note disclosures.
- Also noteworthy on the district-wide financial statements for the year ended June 30, 2018, are the provisions of GASB Statement No. 68. This pronouncement established accounting and financial reporting requirements associated with the School District's participation in the cost sharing multiple employer pension plans administered by the New York State and Local Employees' Retirement System ("ERS") and the New York State Teachers' Retirement System ("TRS"). Under these standards, cost-sharing employers are required to report in their

district-wide financial statements a net pension liability (asset), pension expense and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all of the municipalities and school districts in the plan. At June 30, 2018, the School District reported in its Statement of Net Position a liability of \$481,486 for its proportionate share of the ERS net pension liability and an asset of \$1,281,285 for its proportionate share of the TRS net pension asset. More detailed information about the School District's pension plan reporting in accordance with the provisions of GASB Statement No. 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in note 3,E in the notes to financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) district-wide financial statements, (2) fund financial statements and (3) notes to financial statements. This report also contains combining and individual fund financial statements and schedules in addition to the basic financial statements.

District-Wide Financial Statements

- The *district-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.
 - The *statement of net position* presents information on all of the School District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.
 - The *statement of activities* presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
 - The *governmental* activities of the School District include instruction, pupil transportation, cost of food sales, other, interest and general support.

The district-wide financial statements can be found on the pages immediately following this section, as the first two pages of the basic financial statements.

Fund Financial Statements

- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.
- *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

- Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.
- The School District maintains six individual governmental funds; General Fund, Capital Projects Fund, Special Aid Fund, School Lunch Fund, Special Purpose Fund and Debt Service Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Capital Projects and Special Aid funds, which are considered to be major funds. Data for the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.
- The School District adopts an annual budget for its General and Special Aid funds. A budgetary comparison statement has been provided for the General and Special Aid funds within the basic financial statements to demonstrate compliance with the respective budgets.
- The *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity on behalf of others. Fiduciary funds are not reflected in the district-wide financial statement because the resources of these funds are *not* available to support the School District's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statements section of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to financial statements can be found following the basic financial statements section of this report.

Other Information

Additional statements and schedules can be found immediately following the notes to the financial statements. These include the required supplementary information for the School District's other postemployment and pension benefit obligations, the combining statements for the non-major governmental funds and schedules of budget to actual comparisons.

District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position. In the case of the Pearl River Union Free School District, New York, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$62,469,714 at the close of the current fiscal year.

Net Position

	June 30,	
	2018	2017
Current Assets	\$ 19,071,897	\$ 18,908,210
Capital Assets, net	<u>41,421,357</u>	<u>41,233,204</u>
 Total Assets	 <u>60,493,254</u>	 <u>60,141,414</u>
 Deferred Outflows of Resources	 <u>18,710,405</u>	 <u>18,876,993</u>
 Current Liabilities	 12,291,230	 8,897,670
Long-term Liabilities	<u>124,034,004</u>	<u>57,900,919</u>
 Total Liabilities	 <u>136,325,234</u>	 <u>69,798,589</u>
 Deferred Inflows of Resources	 <u>5,348,139</u>	 <u>1,047,165</u>
 Net Position		
Net Investment in Capital Assets	27,907,188	26,172,362
Restricted for		
Capital Projects	444,622	444,622
Future Capital Projects	2,812,227	2,805,214
Debt Service	14,136	14,136
Tax Certiorari	1,779,564	1,775,126
Retirement Contributions	1,152,118	1,149,245
School Lunch	-	607,610
Special Purposes	177,205	171,855
Unrestricted	<u>(96,756,774)</u>	<u>(24,967,517)</u>
	 <u>\$ (62,469,714)</u>	 <u>\$ 8,172,653</u>

The largest component of the School District's net position is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Those assets subject to external restrictions constitute \$6,479,872 of net position and are comprised of amounts restricted for specific purposes, i.e., payments of tax certiorari claims and capital projects. There is a negative balance of unrestricted net position of \$96,856,774, primarily a result of the recognition of OPEB liabilities. Overall, net position decreased by \$4,730,884 from the prior year, primarily from the recording of an increase of \$4,994,876 in the School District's OPEB liability.

Changes in Net Position

	June 30,	
	2018	2017
REVENUES		
Program Revenues		
Charges for Services	\$ 1,233,236	\$ 1,070,181
Operating Grants and Contributions	1,837,000	1,741,453
Capital Grants and Contributions	7,013	7,959
Total Program Revenues	<u>3,077,249</u>	<u>2,819,593</u>
General Revenues		
Real Property Taxes	48,557,121	47,458,875
School Tax Relief Reimbursement	5,423,765	5,420,101
Payments in Lieu of Taxes	536,298	475,920
Unrestricted Use of Money and Property	193,372	59,336
Sale of Property and Compensation for Loss	4,645	690
Unrestricted State Aid	10,095,272	9,803,337
Miscellaneous	312,485	484,379
Total General Revenues	<u>65,122,958</u>	<u>63,702,638</u>
Total Revenues	<u>68,200,207</u>	<u>66,522,231</u>
PROGRAM EXPENSES		
General Support	8,770,564	8,806,067
Instruction	59,904,386	57,525,919
Pupil Transportation	3,233,377	2,967,052
Cost of Food Sales	578,509	565,827
Other	33,533	29,284
Interest	410,722	476,873
Total Expenses	<u>72,931,091</u>	<u>70,371,022</u>
Change in Net Position	<u>(4,730,884)</u>	<u>(3,848,791)</u>
Net Position - Beginning as reported	8,172,653	12,021,444
Cumulative Effect of Change in Accounting Principle	<u>(65,911,483)</u>	<u>-</u>
Net Position - Beginning, as restated	<u>(57,738,830)</u>	<u>12,021,444</u>
Net Position- Ending	<u>\$ (62,469,714)</u>	<u>\$ 8,172,653</u>

The major changes are as follows:

Revenues:

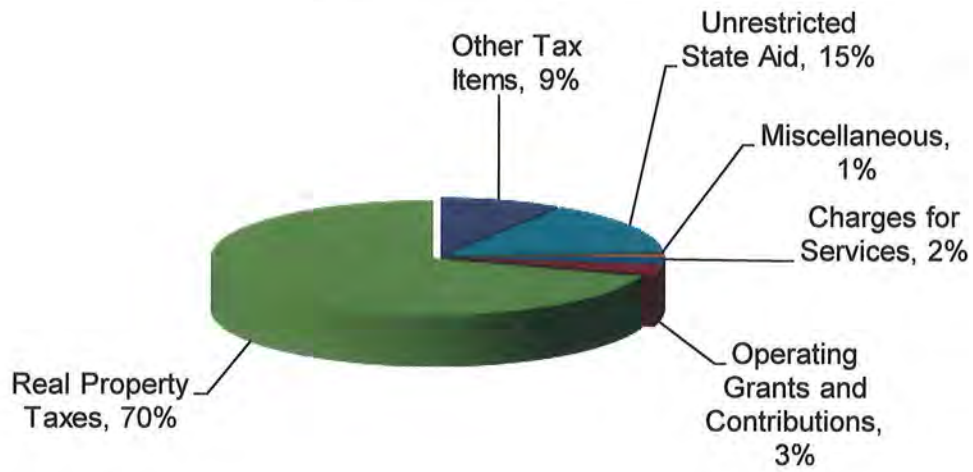
- School Tax Relief Reimbursement ("STAR") payments increased by approximately \$3,664, as a result of an increase in STAR values.
- Unrestricted State aid increased by \$291,935 as a result of increased Foundation Aid.
- Real property tax revenues increased by \$1,098,246 as a result of an increase in assessments.

Expenses:

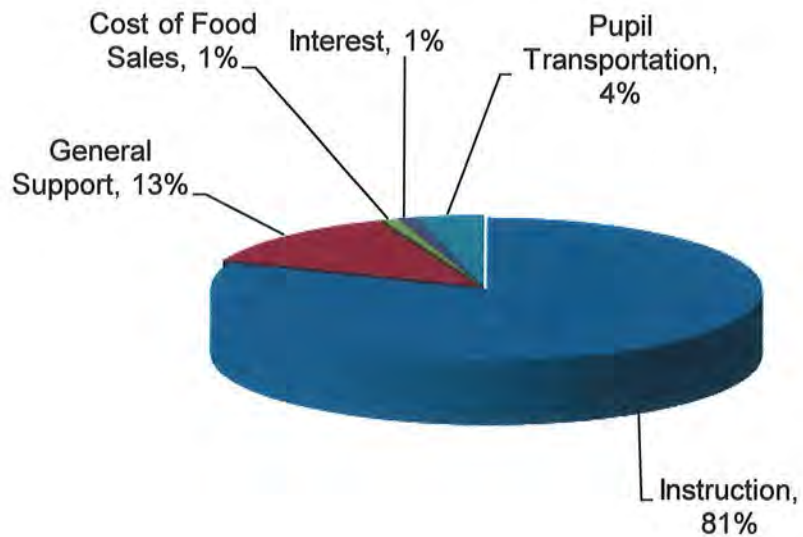
- Instruction costs increased by \$2,378,467 or 4.1%. This increase is attributable to contract based increases, higher Special Education costs associated with out of district placements.

As indicated on the following graphs, the School District relies upon real property taxes as its primary revenue source. The School District's instruction costs account for 81% of its expenses.

**Sources of Revenue for Fiscal Year 2018
Governmental Activities**



**Expenses for Fiscal Year 2018
Governmental Activities**



Financial Analysis of the School District's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Fund Balance Reporting

GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", in February 2009. The requirements of GASB Statement No. 54 became effective for financial statements for periods ending June 30, 2011. GASB Statement No. 54 abandoned the reserved and unreserved classifications of fund balance and replaced them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications follows below.

Nonspendable – consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted – consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

Note: According to the Office of the State Comptroller, school districts in New York will not have committed fund balance to report.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned – represents the residual classification for the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

These changes were made to reflect spending constraints on resources, rather than availability for appropriations and to bring greater clarity and consistency to fund balance reporting. This pronouncement should result in an improvement in the usefulness of fund balance information.

Governmental Funds

The focus of the School District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the School District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported a combined fund balance of \$5,565,084. However, exclusive of the Capital Projects Fund, the School District's governmental funds report a combined fund balance of \$9,182,004. Of this latter amount, \$1,313,983 constitutes *unassigned fund balance*. An additional \$6,726,752 of fund balance is *restricted* to indicate that is not available for new spending because it has already been obligated. The restrictions include future capital projects of \$2,812,227 tax certiorari obligations of \$1,779,564, retirement contributions of \$1,152,118, employee benefit accrued liabilities of \$791,502 debt service purposes of \$14,136 and \$177,205 for special purposes.

The General Fund is the primary operating fund of the School District. At the end of the current fiscal year, the total fund balance of the General Fund was \$8,314,820, of which \$1,313,983, or 1.93%, of the ensuing year's budget was unassigned. As previously mentioned, New York State Law limits the amount of committed, assigned and unassigned fund balance that can be retained to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget and encumbrances and, accordingly, the School District is in compliance with this requirement.

For the 2017-18 fiscal year, revenues exceeded budget estimates by \$489,664. State aid fell short of budgetary expectations by \$62,339.

Capital Assets

At June 30, 2018, the School District had \$41,421,357, net of accumulated depreciation invested in a broad range of capital assets, including land, improvements other than buildings, buildings and improvements, machinery and equipment and construction-in-progress. The change in capital assets, net of accumulated depreciation, is reflected below.

Class	June 30,	
	2018	2017
Land	\$ 963,800	\$ 964,799
Construction-in-Progress	3,046,465	1,690,805
Improvements Other than Buildings	91,511	109,813
Buildings and Improvements	36,939,243	38,029,536
Machinery and Equipment	380,338	438,251
Total Capital Assets, net of accumulated depreciation	<u>\$ 41,421,357</u>	<u>\$ 41,233,204</u>

The primary increase in capital assets compared to the prior year results from the ongoing costs associated with the \$32 million district-wide construction capital project, the purchase of property located at 135 West Crooked Hill Road and a decrease in the current year investment in improvements.

More detailed information about the School District's capital assets is presented in note 3,B in the notes to financial statements.

Long-Term Debt

At June 30, 2018, the School District had \$124,034,004 in general obligation and other long-term debt outstanding, as follows:

	June 30,	
	2018	2017
Bonds Payable (Net)	\$ 8,830,143	\$ 10,461,151
Energy Performance		
Contract Payable	2,666,431	2,933,264
Compensated Absences	2,057,393	2,204,971
Net Pension Liability	481,486	3,151,328
Other Post Employment		
Benefit Obligations	109,998,551	39,150,205
Total	<u>\$ 124,034,004</u>	<u>\$ 57,900,919</u>

More detailed information about the School District's long-term liabilities is presented in note 3,E in the notes to financial statements.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Pearl River Union Free School District
Attn: Ann Marie Tromer
Assistant Superintendent for Business
135 West Crooked Hill Road
Pearl River, New York 10965

Pearl River Union Free School District, New York

Statement of Net Position

June 30, 2018

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 15,584,655
Receivables	
Accounts	72,077
State and Federal aid	1,446,372
Due from other governments	683,959
Inventories	3,549
Net pension asset	1,281,285
Capital assets	
Not being depreciated	4,010,265
Being depreciated, net	37,411,092
Total Assets	60,493,254
DEFERRED OUTFLOWS OF RESOURCES	18,710,405
LIABILITIES	
Accounts payable	695,829
Accrued liabilities	3,758,434
Bond anticipation notes payable	3,400,000
Due to other governments	1,319,635
Due to retirement systems	3,050,708
Unearned revenues	922
Accrued interest payable	65,702
Non-current liabilities	
Due within one year	2,111,887
Due in more than one year	121,922,117
Total Liabilities	136,325,234
DEFERRED INFLOWS OF RESOURCES	5,348,139
NET POSITION	
Net investment in capital assets	27,907,188
Restricted	
Capital projects	444,622
Future capital projects	2,812,227
Debt service	14,136
Tax certiorari	1,779,564
Retirement contributions	1,152,118
Special purposes	177,205
Unrestricted	(96,756,774)
Total Net Position	\$ (62,469,714)

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

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Pearl River Union Free School District, New York

Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General support	\$ 8,770,564	\$ 674,172	\$ 9,285	\$ 7,013	\$ (8,080,094)
Instruction	59,904,386	115,231	1,588,452	-	(58,200,703)
Pupil transportation	3,233,377	-	-	-	(3,233,377)
Cost of food sales	578,509	443,833	200,380	-	65,704
Other	33,533	-	38,883	-	5,350
Interest	410,722	-	-	-	(410,722)
Total Governmental Activities	<u>\$ 72,931,091</u>	<u>\$ 1,233,236</u>	<u>\$ 1,837,000</u>	<u>\$ 7,013</u>	<u>(69,853,842)</u>
General Revenues					
Real property taxes					48,557,121
Other tax items					
School tax relief reimbursement					5,423,765
Payments in lieu of taxes					536,298
Unrestricted use of money and property					193,372
Sale of property and compensation for loss					4,645
Unrestricted State aid					10,095,272
Miscellaneous					312,485
Total General Revenues					<u>65,122,958</u>
Change in Net Position					<u>(4,730,884)</u>
Net Position - Beginning, as reported					8,172,653
Cumulative Effect of Change in Accounting Principle					<u>(65,911,483)</u>
Net Position - Beginning, as restated					<u>(57,738,830)</u>
Net Position - Ending					<u>\$ (62,469,714)</u>

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

Pearl River Union Free School District, New York

Balance Sheet
Governmental Funds
June 30, 2018

	General	Capital Projects	Special Aid
ASSETS			
Cash and equivalents	\$ 14,529,490	\$ 241,654	\$ -
Receivables			
Accounts	72,077	-	-
State and Federal aid	366,953	-	1,069,167
Due from other governments	683,959	-	-
Due from other funds	1,248,718	400,000	-
	<u>2,371,707</u>	<u>400,000</u>	<u>1,069,167</u>
Inventories	-	-	-
Total Assets	<u>\$ 16,901,197</u>	<u>\$ 641,654</u>	<u>\$ 1,069,167</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 456,713	\$ 41,746	\$ 83,183
Accrued liabilities	3,758,434	-	-
Bond anticipation notes payable	-	3,400,000	-
Due to other funds	-	816,828	985,984
Due to other governments	1,319,600	-	-
Due to retirement systems	3,050,708	-	-
Unearned revenues	922	-	-
Total Liabilities	<u>8,586,377</u>	<u>4,258,574</u>	<u>1,069,167</u>
Fund balances (deficits)			
Nonspendable	-	-	-
Restricted	6,549,547	-	-
Assigned	451,290	-	-
Unassigned	1,313,983	(3,616,920)	-
Total Fund Balances (Deficits)	<u>8,314,820</u>	<u>(3,616,920)</u>	<u>-</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 16,901,197</u>	<u>\$ 641,654</u>	<u>\$ 1,069,167</u>

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

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
<u>\$ 813,511</u>	<u>\$ 15,584,655</u>
-	72,077
10,252	1,446,372
-	683,959
<u>154,094</u>	<u>1,802,812</u>
<u>164,346</u>	<u>4,005,220</u>
<u>3,549</u>	<u>3,549</u>
<u><u>\$ 981,406</u></u>	<u><u>\$ 19,593,424</u></u>
\$ 114,187	\$ 695,829
-	3,758,434
-	3,400,000
-	1,802,812
35	1,319,635
-	3,050,708
-	922
<u>114,222</u>	<u>14,028,340</u>
3,549	3,549
177,205	6,726,752
686,430	1,137,720
-	(2,302,937)
<u>867,184</u>	<u>5,565,084</u>
<u><u>\$ 981,406</u></u>	<u><u>\$ 19,593,424</u></u>

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Pearl River Union Free School District, New York

Reconciliation of Governmental Funds Balance Sheet to
the District-Wide Statement of Net Position
June 30, 2018

Fund Balances - Total Governmental Funds	\$ 5,565,084
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Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>41,421,357</u>
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Governmental funds do not report the effect of losses on refunding bonds
and assets or liabilities related to net related to net pension other
postemployment benefit, assets (liabilities) whereas these amounts are
deferred and amortized in the statement of activities.

Deferred amounts on net pension assets (liabilities)	13,340,030
Deferred amount on other post employment benefit obligation	(57,801)
Deferred amounts on refunding bonds	<u>80,037</u>
	<u>13,362,266</u>

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are not reported in the funds.

Net pension assets	<u>1,281,285</u>
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Long-term liabilities that are not due and payable in the current
period are not reported in the funds.

Accrued interest payable	(65,702)
Bonds payable	(8,830,143)
Energy performance contract payable	(2,666,431)
Compensated absences	(2,057,393)
Net pension liability	(481,486)
Other post employment benefit obligations payable	<u>(109,998,551)</u>
	<u>(124,099,706)</u>

Net Position of Governmental Activities	<u><u>\$ (62,469,714)</u></u>
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The notes to financial statements are an integral part of this statement.

Pearl River Union Free School District, New York

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2018

	General	Capital Projects	Special Aid
REVENUES			
Real property taxes	\$ 48,557,121	\$ -	\$ -
Other tax items	5,960,063	-	-
Charges for services	115,231	-	-
Use of money and property	883,842	-	-
Sale of property and compensation for loss	4,645	-	-
State aid	10,330,943	-	488,140
Federal aid	448	-	864,193
Food sales	-	-	-
Miscellaneous	312,485	-	-
Total Revenues	66,164,778	-	1,352,333
EXPENDITURES			
Current			
General support	6,477,308	-	-
Instruction	40,259,061	-	1,459,662
Pupil transportation	3,135,458	-	-
Employee benefits	14,141,444	-	-
Cost of food sales	-	-	-
Other	-	-	-
Capital outlay	-	1,355,660	-
Debt service			
Principal	1,831,833	-	-
Interest	463,844	-	-
Total Expenditures	66,308,948	1,355,660	1,459,662
Excess (Deficiency) of Revenues Over Expenditures	(144,170)	(1,355,660)	(107,329)
OTHER FINANCING SOURCES (USES)			
Transfers in	14,136	500,000	107,329
Transfers out	(607,329)	-	-
Total Other Financing Sources (Uses)	(593,193)	500,000	107,329
Net Change in Fund Balances	(737,363)	(855,660)	-
FUND BALANCES (DEFICITS)			
Beginning of Year	9,052,183	(2,761,260)	-
End of Year	\$ 8,314,820	\$ (3,616,920)	\$ -

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

Non-Major Governmental	Total Governmental Funds
\$ -	\$ 48,557,121
-	5,960,063
-	115,231
1,122	884,964
-	4,645
8,488	10,827,571
190,930	1,055,571
443,833	443,833
38,723	351,208
683,096	68,200,207
-	6,477,308
-	41,718,723
-	3,135,458
-	14,141,444
561,844	561,844
33,533	33,533
-	1,355,660
-	1,831,833
-	463,844
595,377	69,719,647
87,719	(1,519,440)
-	621,465
(14,136)	(621,465)
(14,136)	-
73,583	(1,519,440)
793,601	7,084,524
\$ 867,184	\$ 5,565,084

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Pearl River Union Free School District, New York

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2018

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	\$ (1,519,440)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	1,354,661
Depreciation expense	<u>(1,166,508)</u>
	<u>188,153</u>

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal paid on bonds	1,565,000
Principal paid on energy performance contract	266,833
Amortization of premium and loss on refunding bonds	<u>44,840</u>
	<u>1,876,673</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest	8,282
Compensated absences	147,578
Pension assets (liabilities)	(437,466)
Other post employment benefit obligations	<u>(4,994,664)</u>
	<u>(5,276,270)</u>

Change in Net Position of Governmental Activities	<u>\$ (4,730,884)</u>
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The notes to financial statements are an integral part of this statement.

Pearl River Union Free School District, New York

Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual
General and Special Aid Funds
Year Ended June 30, 2018

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 48,417,311	\$ 48,417,311	\$ 48,557,121	\$ 139,810
Other tax items	6,024,521	6,024,521	5,960,063	(64,458)
Charges for services	86,000	86,000	115,231	29,231
Use of money and property	444,000	444,000	883,842	439,842
Sale of property and compensation for loss	-	-	4,645	4,645
State aid	10,353,282	10,393,282	10,330,943	(62,339)
Federal aid	10,000	10,000	448	(9,552)
Miscellaneous	300,000	300,000	312,485	12,485
Total Revenues	65,635,114	65,675,114	66,164,778	489,664
EXPENDITURES				
Current				
General support	6,503,463	6,483,357	6,477,308	6,049
Instruction	39,484,326	40,450,713	40,259,061	191,652
Pupil transportation	3,256,288	3,319,620	3,135,458	184,162
Employee benefits	14,239,812	14,187,870	14,141,444	46,426
Debt service				
Principal	1,810,583	1,810,583	1,831,833	(21,250)
Interest	463,844	463,844	463,844	-
Total Expenditures	65,758,316	66,715,987	66,308,948	407,039
Deficiency of Revenues Over Expenditures	(123,202)	(1,040,873)	(144,170)	896,703
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	14,136	14,136
Transfers out	(475,000)	(507,329)	(607,329)	(100,000)
Total Other Financing Sources (Uses)	(475,000)	(507,329)	(593,193)	(85,864)
Net Change in Fund Balances	(598,202)	(1,548,202)	(737,363)	810,839
FUND BALANCES				
Beginning of Year	598,202	1,548,202	9,052,183	7,503,981
End of Year	\$ -	\$ -	\$ 8,314,820	\$ 8,314,820

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

Special Aid Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
488,141	488,141	488,140	(1)
864,586	864,194	864,193	(1)
-	-	-	-
1,352,727	1,352,335	1,352,333	(2)
-	-	-	-
1,427,727	1,459,664	1,459,662	2
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,427,727	1,459,664	1,459,662	2
(75,000)	(107,329)	(107,329)	-
75,000	107,329	107,329	-
-	-	-	-
75,000	107,329	107,329	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Pearl River Union Free School District, New York

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2018

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 459,626
Accounts receivable	<u>45,786</u>
Total Assets	<u><u>\$ 505,412</u></u>
LIABILITIES	
Student activity funds	\$ 479,734
Deposits payable	<u>25,678</u>
Total Liabilities	<u><u>\$ 505,412</u></u>

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

Note 1 - Summary of Significant Accounting Policies

The Pearl River Union Free School District, New York ("School District"), as presently constituted, was established in 1912 and operates in accordance with the provisions of the Education Law of the State of New York. The Board of Education is the legislative body responsible for overall operation of the School District and is elected by the voters of the School District. The Superintendent serves as the chief executive officer. The School District's primary function is to provide education for its pupils. Services such as transportation of pupils, administration, finance and plant maintenance support the primary function.

The accounting policies of the School District conform to generally accepted accounting principles for local governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the School District's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government, which is the School District, b) organizations for which the School District is financially accountable and c) other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the School District's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

The School District participates in the Rockland County Board of Cooperative Educational Services ("BOCES"), a jointly governed entity. BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs, which provide educational and support services. BOCES' governing board is elected based on the vote of members of the participating districts' governing boards. BOCES' budget is comprised of separate budgets for administrative, program and capital costs. BOCES charges the districts for program costs based on participation and for administrative and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school enrollment as defined in Education Law. Copies of BOCES' financial statements can be requested from Rockland County BOCES, 65 Parrott Road, West Nyack, New York 10994-0607.

B. District-Wide Financial Statements

The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the School District as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Statement of Net Position presents the financial position of the School District at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The School District does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The accounts of the School District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The School District maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the district-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the district-wide presentation. The School District's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following represents the School District's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Note 1 - Summary of Significant Accounting Policies (Continued)

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects. The major special revenue fund of the School District is as follows -

Special Aid Fund - The Special Aid Fund is used to account for special projects or programs supported in whole or in part with Federal or State funds.

The School District also reports the following non-major governmental funds:

Special Revenue Funds:

School Lunch Fund - The School Lunch Fund is used to record the operations of the lunch and milk programs of the School District.

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the School District in accordance with the terms of a trust agreement.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest maturing in future years.

- b. Fiduciary Funds (Not Included in District-Wide Financial Statements) - Fiduciary Funds are used to account for assets held by the School District in an agency capacity on behalf of others. Among the activities included in the Agency Fund are the student activity funds. The Agency Fund is primarily utilized to account for payroll tax withholdings and other deposits that are payable to other jurisdictions or individuals.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Note 1 - Summary of Significant Accounting Policies (Continued)

Property taxes are considered to be available if collected within sixty days of the fiscal year end. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are recognized as revenues when the expenditure is made. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, net pension liability and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The School District follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Note 1 - Summary of Significant Accounting Policies (Continued)

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the School District does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2018.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The School District does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The School District's investment policy limits the amount on deposit at each of its banking institutions.

Property Taxes Receivable - Real property taxes attach as an enforceable lien on real property as of July 1st and are payable on September 1st. The town included in the levy is responsible for the billing and collection of the taxes through November, at which time collection responsibility is transferred to the County of Rockland, New York ("County"). The County guarantees the full payment of the School District warrant and assumes responsibility for uncollected taxes.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the School District. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the School District has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

equally offset by nonspendable fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant and equipment of the School District are depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Improvements Other than Buildings	20
Buildings and Improvements	50
Machinery and Equipment	5-20

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the district-wide financial statements, unearned revenues consist of revenue received in advance and/or grants received before the eligibility requirements have been met

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has reported unearned revenues of \$922 for fees received in advance in the General Fund. This amount has been deemed to be measurable but not "available" pursuant to generally accepted accounting principles

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial 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.

In addition to liabilities, the statement of financial 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 and so will not be recognized as an inflow of resources (revenue) until that time.

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred outflows and inflows of resources have been reported on the district-wide Statement of Net Position for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
New York State Teachers' Retirement System	\$ 16,810,372	\$ 3,749,091
New York State and Local Employees' Retirement System	1,819,996	1,541,247
Other Post Employment Benefits	-	57,801
Deferred Loss on Refunding Bonds	80,037	-
	<u>\$ 18,710,405</u>	<u>\$ 5,348,139</u>

The amount reported for the deferred loss on refunding bonds results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is being deferred and amortized over the shorter of the life of the refunded or refunding debt.

The amounts reported as deferred outflows of resources and deferred inflows of resources in relation to the School District's pension obligations and other post employment benefits are detailed in Note 3E.

Long-Term Liabilities - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Bond issuance costs are expended as incurred.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation from service. The liability for such accumulated leave is reflected in the district-wide Statement of Net Position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Pension Liability (Asset) - The net pension liability (asset) represents the School District's proportionate share of the net pension liability (asset) of the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Position - Net position represent the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets, restricted for capital projects, future capital projects, debt service, tax certiorari, retirement contributions and special purposes. The balance is classified as unrestricted.

Fund Balance - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in the General Municipal Law or the Education Law of the State of New York.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The Board of Education is the highest level of decision making authority for the School District that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board of Education.

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Education for amounts assigned for balancing the ensuing year's budget or the Assistant Superintendent for Business for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds

Note 1 - Summary of Significant Accounting Policies (Continued)

other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order: committed, assigned, and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 1, 2018.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The School District generally follows the procedures enumerated below in establishing the budgetary data reflected in the fund financial statements:

- a) At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- b) At the budget hearing, the voters may raise questions concerning the items contained in the budget.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- c) The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- d) The voters are permitted to vote upon the General Fund budget at the annual meeting.
- e) If the original proposed budget is not approved by the voters, the Board of Education has the option of either resubmitting the original or revising the budget for voter approval at a special meeting held at a later date; or the Board of Education may, at that point, adopt a contingency budget. If the Board of Education decides to submit either the original or a revised budget to the voters for a second time, and the voters do not approve the second budget submittal, the Board of Education must adopt a contingency budget and the tax levy cannot exceed the total tax levy of the prior year (0% levy growth). In addition, the administrative component of the contingency budget shall not comprise a greater percentage of the contingency budget exclusive of the capital component than the lesser of either 1) the percentage the administrative component had comprised in the prior year budget exclusive of the capital component; or 2) the percentage the administrative component had comprised in the last proposed defeated budget exclusive of the capital component.
- f) Formal budgetary integration is employed during the year as a management control device for General and Special Aid funds.
- g) Budgets for General and Special Aid funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the School Lunch, Special Purpose or Debt Service funds.
- h) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in General and Special Aid funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board of Education.

B. Limitation on Fund Balance

The School District is limited to the amount of committed, assigned and unassigned fund balance that can be retained, with certain exceptions (encumbrances and amounts assigned for subsequent year's expenditures). New York State law limits this amount to 4% of the ensuing year's budget.

Note 2 - Stewardship, Compliance and Accountability (Continued)

C. Property Tax Limitation

The School District is not limited as to the maximum amount of real property taxes which may be raised. However, on June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This law applies to all local governments, including school districts.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a school district in a particular year. The original legislation that established the Tax Levy Limitation Law was set to expire on June 16, 2016. Chapter 20 of the Laws of 2015 extends the Tax Levy Limitation Law through June 2020.

Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of two percent or the annual increase in the consumer price index. Certain adjustments would be permitted as defined by Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation only if the budget is approved by at least 60% of the vote. There are certain exemptions to the tax levy limitation, such as expenditures made on account of certain tort settlements and certain increases in the actuarial contribution rates of the various public employee retirement systems.

D. Capital Projects Fund Deficit

The unassigned deficit in the Capital Projects Fund of \$3,616,920 arises in-part because of the application of generally accepted accounting principles to the financial reporting of such funds. The proceeds of bond anticipation notes issued to finance construction of capital projects are not recognized as an "other financing source". Liabilities for bond anticipation notes payable are accounted for in the Capital Projects Fund. Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. This deficit will be reduced and eliminated as the bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing. Other deficits, where no bond anticipation notes were issued or outstanding to the extent of the project deficit, arise because of expenditures exceeding current financing on the projects. These deficits will be eliminated with the subsequent receipt or issuance of authorized financing.

E. Cumulative Effect of Change in Accounting Principle

For the year ended June 30, 2018, the School District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB")". This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governments by establishing standards for recognizing and measuring liabilities, deferred outflows/inflows of resources and expenses/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to the periods of employee service. As a result of adopting these standards, the district-wide financial statements reflect a cumulative effect for the change in accounting principle of \$(65,911,483).

Note 2 - Stewardship, Compliance and Accountability (Continued)

F. Expenditures in Excess of Budget

The following functional expenditures exceeded their budgetary authorizations by the amounts indicated:

General Fund		
General Support		
Finance		
Business administration	\$	2,842
Staff		
Personnel		23,996
Central Services		
Maintenance of plant		163,512
Special Items		
Judgements and claims		16,324
Instruction		
Instructional media		
School library and audiovisual		66,030
Computer assisted instruction		49,916
Pupil services		
Interscholastic athletics - Regular school		49,570
Employee Benefits		
Social security		70
Hospital, medical and dental insurance		372
Debt Service		
Principal		
Serial bonds		21,250
Transfers Out		
Capital Project Fund		100,000

Note 3 - Detailed Notes on All Funds

A. Due From/To Other Funds

The composition of interfund balances at June 30, 2018 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 1,248,718	\$ -
Capital Projects	400,000	816,828
Special Aid	-	985,984
Non-Major Governmental	154,094	-
	<u>\$ 1,802,812</u>	<u>\$ 1,802,812</u>

Pearl River Union Free School District, New York

Notes to Financial Statements (Continued)
 June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

B. Capital Assets

Changes in the School District's capital assets are as follows:

Class	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets, not being depreciated				
Land	\$ 964,799	\$ -	\$ 999	\$ 963,800
Construction-in-progress	1,690,805	1,355,660	-	3,046,465
Total Capital Assets, not being depreciated	<u>\$ 2,655,604</u>	<u>\$ 1,355,660</u>	<u>\$ 999</u>	<u>\$ 4,010,265</u>
Capital Assets, being depreciated				
Improvements Other than Buildings	\$ 1,329,269	\$ -	\$ 24,532	\$ 1,304,737
Buildings and Improvements	63,762,212	-	659,174	63,103,038
Machinery and Equipment	1,547,017	-	222,230	1,324,787
Total Capital Assets, being depreciated	<u>66,638,498</u>	<u>-</u>	<u>905,936</u>	<u>65,732,562</u>
Less Accumulated Depreciation for				
Improvements Other than Buildings	1,219,456	18,302	24,532	1,213,226
Building and Improvements	25,732,676	1,090,293	659,174	26,163,795
Machinery and Equipment	1,108,766	57,913	222,230	944,449
Total Accumulated Depreciation	<u>28,060,898</u>	<u>1,166,508</u>	<u>905,936</u>	<u>28,321,470</u>
Total Capital Assets, being depreciated, net	<u>\$ 38,577,600</u>	<u>\$ (1,166,508)</u>	<u>\$ -</u>	<u>\$ 37,411,092</u>
Capital Assets, net	<u>\$ 41,233,204</u>	<u>\$ 189,152</u>	<u>\$ 999</u>	<u>\$ 41,421,357</u>

Depreciation expense was charged to School District functions and programs as follows:

General Support	\$ 13,897
Instruction	1,129,941
Pupil Transportation	6,005
Cost of Food Sales	<u>16,665</u>
Total Depreciation Expense	<u>\$ 1,166,508</u>

C. Accrued Liabilities

Accrued liabilities at June 30, 2018 were as follows:

	General Fund
Payroll and Employee Benefits	<u>\$ 3,758,434</u>

Pearl River Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

D. Short-Term Capital Borrowings

The schedule below details the changes in short-term capital borrowings.

	Original Issue Date	Maturity Date	Interest Rate	Balance July, 1 2017	Redemptions	Balance June, 30 2018
Crooked Hill Purchase	5/30/2014	5/24/2019	2.65 %	\$ 3,500,000	\$ 100,000	\$ 3,400,000

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Bond anticipation notes issued for judgments or settled claims are recorded in the fund paying the claim. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes or judgments be converted to long-term obligations generally within five years after the original issue date. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum live of the permanent financing, provided that stipulated annual reductions of principal are made. Interest expenditures of \$61,250 were recorded in the fund financial statements in the General Fund. Interest expense of \$64,305 was recorded in the district-wide financial statements for governmental activities.

E. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2018:

	Balance July 1, 2017	Cumulative Effect of Change in Accounting Principle*	Balance, as Restated July 1, 2017	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2018	Due Within One-Year
Bonds Payable							
Capital Construction	\$ 8,845,000	\$ -	\$ 8,845,000	\$ -	\$ 1,135,000	\$ 7,710,000	\$ 1,185,000
Other	1,340,000	-	1,340,000	-	430,000	910,000	445,000
	10,185,000	-	10,185,000	-	1,565,000	8,620,000	1,630,000
Plus							
Unamortized premium in bonds	276,151	-	276,151	-	66,008	210,143	-
	10,461,151	-	10,461,151	-	1,631,008	8,830,143	1,630,000
Energy Performance Contract Payable	2,933,264	-	2,933,264	-	266,833	2,666,431	275,887
Other Non-Current Liabilities							
Compensated Absences	2,204,971	-	2,204,971	72,422	220,000	2,057,393	206,000
Net Pension Liability	3,151,328	-	3,151,328	-	2,669,842	481,486	-
Other Post Employment Benefit Obligations	39,150,205	65,911,483	105,061,688	7,532,581	2,595,718	109,998,551	-
Total Other Non- Current Liabilities	44,506,504	65,911,483	110,417,987	7,605,003	5,485,560	112,537,430	206,000
Total Long-Term Liabilities	\$ 57,900,919	\$ 65,911,483	\$ 123,812,402	\$ 7,605,003	\$ 7,383,401	\$ 124,034,004	\$ 2,111,887

*See Note 2E.

The School District's indebtedness for bonds, energy performance contract, compensated absences, net pension liability and other post employment benefit obligations is satisfied by the General Fund.

Pearl River Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Bonds Payable

Bonds payable at June 30, 2018 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2018
District-Wide Reconstruction	2008	\$ 7,660,000	September, 2022	4.000 - 5.000 %	\$ 3,165,000
Refunding Bonds - Tax Certiorari Refunds	2011	3,600,000	November, 2019	4.000	910,000
Refunding Bonds - District-Wide Reconstruction	2016	6,240,000	June, 2025	2.000 - 5.000	4,545,000
					<u>\$ 8,620,000</u>

Interest expenditures of \$306,119 were recorded in the fund financial statements in the General Fund. Interest expense of \$250,962 was recorded in the district-wide financial statements.

Energy Performance Contract Payable

The School District, in a prior fiscal year, entered into a \$4,190,555 contractual agreement to install energy saving equipment and/or to upgrade existing facilities to enhance performance. The agreement provides for semi-annual payments of \$181,654, including interest at 3.36% through October 2026. Interest expenditures of \$96,475 were recorded in the fund financial statements in the General Fund. Interest expense of \$95,455 was recorded in the district-wide financial statements. The balance due at June 30, 2018 was \$2,666,431.

Payments to Maturity

The annual requirements to amortize all outstanding bonded and energy performance contract debt as of June 30, 2018 including interest payments of \$1,165,274 are as follows:

Year Ending June 30,	Bonds		Energy Performance Contract		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,630,000	\$ 234,269	\$ 275,887	\$ 87,421	\$ 1,905,887	\$ 321,690
2020	1,685,000	180,269	285,249	78,059	1,970,249	258,328
2021	1,265,000	133,968	294,928	68,381	1,559,928	202,349
2022	1,310,000	95,469	304,936	58,374	1,614,936	153,843
2023	1,355,000	55,469	315,282	48,026	1,670,282	103,495
2024-2027	1,375,000	43,138	1,190,149	81,431	2,565,149	124,569
	<u>\$ 8,620,000</u>	<u>\$ 742,582</u>	<u>\$ 2,666,431</u>	<u>\$ 421,692</u>	<u>\$ 11,286,431</u>	<u>\$ 1,164,274</u>

The above general obligation bonds and energy performance contract debt are direct obligations of the School District for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the School District.

Note 3 - Detailed Notes on All Funds (Continued)

Compensated Absences

Under the terms of existing collective bargaining agreements, the School District is required to compensate certain employees for accumulated sick leave. For these employees to receive reimbursement, they must be eligible for retirement, and must give notice pursuant to contract provisions. Clerical and custodial employees and administrators, upon separation of service, are compensated for unused vacation days. The value of the compensated absences has been reflected in the district-wide financial statements.

Pension Plans

New York State and Local Employees' Retirement System and Teachers' Retirement System

The School District participates in the New York State and Local Employees' Retirement System ("ERS"). This is a cost-sharing, multiple-employer defined benefit pension plan. ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found 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.

The School District also participates in the New York State Teachers' Retirement System ("TRS"). This is a cost-sharing, multiple-employer defined benefit pension plan. TRS provides retirement benefits as well as death and disability benefits. The TRS is governed by a ten member Board of Trustees, which sets policy and oversees operations consistent with its fiduciary obligations under applicable law. Obligations of employers and employees to contribute and benefits to employees are governed by the Education Law of the State of New York. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The TRS issues a stand-alone financial report which may be found at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

ERS and TRS are noncontributory for employees who joined the systems before July 27, 1976. Employees who joined the systems after July 27, 1976 and before January 1, 2010 contribute 3% of their salary for the first ten years of membership. Employees who joined the systems after January 1, 2010 generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid

Pearl River Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

during the ERS's fiscal year ending March 31. Pursuant to Article 11 of the Education Law of the State of New York, actuarially determined employer contributions are established annually for the TRS by its Board of Trustees. The employer contribution rates for the plans' year ending in 2018 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	1 75I	21.5 %
	2 75I	19.6
	3 A15	15.9
	4 A15	15.9
	5 A15	13.1
	6 A15	9.3
TRS	1-6	9.8 %

At June 30, 2018, the School District reported the following for its proportionate share of the net pension liability (asset) for ERS and TRS:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Net pension liability (asset)	\$ 481,486	\$ (1,281,285)
School Districts' proportion of the net pension liability (asset)	0.0149185 %	0.1685680 %
Change in proportion since the prior measurement date	0.0005300 %	0.0005680 %

The net pension liability (asset) was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS and the total pension liability used to calculate the net pension liability (asset) were determined by actuarial valuations as of those dates. The School District's proportion of the net pension liability for ERS was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. The School District's proportion of the net pension asset for TRS was based on the School District's contributions to the pension plan relative to the contributions of all participating members.

For the year ended June 30, 2018, the School District recognized pension expense in the district-wide financial statements of \$3,934,274 (\$753,202 for ERS and \$3,181,072 for TRS). Pension expenditures for ERS of \$789,482 were recorded in the fund financial statements and were charged to the General Fund. Pension expenditures for TRS of \$2,707,326, were reported in the fund financial statements and were charged to the General Fund.

Pearl River Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS		TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 171,730	\$ 141,912	\$ 1,054,183	499,558
Changes of assumptions	319,265	-	13,037,328	-
Net difference between projected and actual earnings on pension plan investments	699,320	1,380,388	-	3,017,798
Changes in proportion and differences between School District contributions and proportionate share of contributions	451,883	18,947	4,583	231,735
School District contributions subsequent to the measurement date	177,798	-	2,714,278	-
	<u>\$ 1,819,996</u>	<u>\$ 1,541,247</u>	<u>\$ 16,810,372</u>	<u>\$ 3,749,091</u>
	Total			
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 1,225,913	\$ 641,470		
Changes of assumptions	13,356,593	-		
Net difference between projected and actual earnings on pension plan investments	699,320	4,398,186		
Changes in proportion and differences between School District contributions and proportionate share of contributions	456,466	250,682		
School District contributions subsequent to the measurement date	2,892,076	-		
	<u>\$ 18,630,368</u>	<u>\$ 5,290,338</u>		

\$177,798 reported as deferred outflows of resources related to ERS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the plan's year ended March 31, 2019. The \$2,714,278 reported as deferred outflows of resources related to TRS will be recognized as an increase of the net pension asset in the plan's year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and TRS will be recognized in pension expense as follows:

Year Ended	March 31, ERS	June 30, TRS
2018	\$ -	\$ 263,435
2019	274,182	3,416,208
2020	204,009	2,435,288
2021	(265,610)	579,699
2022	(111,630)	2,428,107
2023	-	1,224,266

Note 3 - Detailed Notes on All Funds (Continued)

The total pension liability for the ERS and TRS measurement dates were determined by using actuarial valuation dates as noted below, with update procedures used to roll forward the total pension liabilities to those measurement dates. Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Investment rate of return	7.0% *	7.25% *
Salary scale	3.8%	1.90%-4.72%
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.5%

*Compounded annually, net of pension plan investment expenses, including inflation.

For ERS, annuitant mortality rates are based on the ERS's experience with adjustments for mortality improvements based on Society of Actuaries Scale 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. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the ERS valuation were based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. The actuarial assumptions used in the TRS valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

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

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

Note 3 - Detailed Notes on All Funds (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation is summarized in the following table:

Asset Type	ERS March 31, 2018		TRS June 30, 2017	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	4.55 %	35 %	5.90 %
International Equity	14	6.35	18	7.40
Private Equity	10	7.50	8	9.00
Real Estate	10	5.55	11	4.30
Domestic Fixed Income Securities	-	-	16	1.60
Global Fixed Income Securities	-	-	2	1.30
High Yield Fixed Income Securities	-	-	1	3.90
Short-Term	-	-	1	0.60
Absolute Return Strategies	2	3.75	-	-
Opportunistic Portfolio	3	5.68	-	-
Real Assets	3	5.29	-	-
Bonds and Mortgages	17	1.31	8	2.80
Cash	1	(0.25)	-	-
Inflation Indexed Bonds	4	1.25	-	-
	<u>100 %</u>		<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.5% for ERS and 2.2% for TRS.

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 determined. Based upon those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the School District's proportionate share of the net pension liability (asset) 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:

Pearl River Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the ERS net pension liability (asset)	<u>\$ 3,643,053</u>	<u>\$ 481,486</u>	<u>\$ (2,193,074)</u>
	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
School District's proportionate share of the TRS net pension liability (asset)	<u>\$ 22,072,752</u>	<u>\$ (1,281,285)</u>	<u>\$ (20,839,133)</u>

The components of the collective net pension liability as of the March 31, 2018 ERS measurement date and the June 30, 2017 TRS measurement date were as follows:

	ERS	TRS
Total pension liability	\$ 183,400,590,000	\$ 114,708,261,032
Fiduciary net position	<u>(180,173,145,000)</u>	<u>115,468,360,316</u>
Employers' net pension liability (asset)	<u>\$ 3,227,445,000</u>	<u>\$ (760,099,284)</u>
Fiduciary net position as a percentage of total pension liability	<u>98.24%</u>	<u>100.66%</u>

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Employee contributions are remitted monthly.

Employer and employee contributions for the year ended June 30, 2018 are paid to TRS in the following fiscal year through a state aid intercept or, if state aid is insufficient, through a payment by the School District to TRS. 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 employers' contribution rate plus employee contributions for the fiscal year as reported to TRS.

Accrued retirement contributions as of June 30, 2018 were \$177,798 to ERS and \$2,872,910 to TRS (including employee contributions of \$158,632).

Voluntary Defined Contribution Plan

The School District can offer a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the School District will contribute 8%.

Note 3 - Detailed Notes on All Funds (Continued)

Employer contributions vest after 366 days of service. No current employees participated in this program.

Other Post Employment Benefit Obligations

In addition to providing pension benefits, the School District provides certain health care benefits for retired employees through a single employer defined benefit OPEB plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the School District may vary according to length of service. The cost of providing post employment health care benefits is shared between the School District and the retired employee as noted below. Substantially all of the School District's employees may become eligible for those benefits if they reach normal retirement age while working for the School District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other than Pensions"*, so the net OPEB liability is equal to the total OPEB liability. Separate financial statements are not issued for the plan.

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	239
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>345</u>
	<u>584</u>

The School District's total OPEB liability of \$109,998,551 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

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

Rate of compensation increase (including inflation)	2.60%
Discount Rate	3.00%
Inflation	2.60%
Health care cost trend rates	7.5% in 2017 decreasing 0.5% per year to an ultimate rate of 5.0% in 2021
Retirees' share of benefit related costs	Contribution rates range from 15% to 57% depending upon marital status, years of service and age

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017, with mortality improvements using Projection Scale MP-2017.

The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. 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.

Note 3 - Detailed Notes on All Funds (Continued)

The School District's change in the total OPEB liability for the year ended June 30, 2018 is as follows:

Total OPEB Liability - Beginning of Year	\$ 105,061,688
Service cost	4,355,027
Interest	3,243,854
Differences between expected and actual experience	(66,300)
Benefit payments	(2,595,718)
Total OPEB Liability - End of Year	<u>\$ 109,998,551</u>

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.0%) or 1 percentage point higher (4.0%) than the current discount rate:

	1% Decrease (2.00%)	Current Assumption (3.00%)	1% Increase (4.00%)
Total OPEB Liability	<u>\$ 130,476,741</u>	<u>109,998,551</u>	<u>\$ 93,795,809</u>

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) or 1 percentage point higher (8.5% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB Liability	<u>\$ 90,764,175</u>	<u>\$ 109,998,551</u>	<u>\$ 135,385,566</u>

For the year ended June 30, 2018, the School District recognized OPEB expense of \$7,590,381 in the district-wide financial statements. At June 30, 2018, the School District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Difference between expected and actual experience	<u>\$ 57,801</u>

Note 3 - Detailed Notes on All Funds (Continued)

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

Year Ended June 30,	
2019	\$ (8,500)
2020	(8,500)
2021	(8,500)
2022	(8,500)
2023	(8,500)
Thereafter	(15,301)

F. Revenues and Expenditures

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without equivalent flows of assets in return. The interfund transfers reflected below have been reported as transfers.

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	General Fund	Capital Projects Fund	Special Aid Fund	
General Fund	\$ -	\$ 500,000	\$ 107,329	\$ 607,329
Debt Service Fund	14,136	-	-	14,136
	<u>\$ 14,136</u>	<u>\$ 500,000</u>	<u>\$ 107,329</u>	<u>\$ 621,465</u>

Transfers are used to move amounts earmarked in the General Fund to fulfill commitments for Special Aid and Capital Projects funds expenditures and to move amounts in the Debt Service Fund to the General Fund to offset the cost of debt service.

G. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Capital Projects - the component of net position that reports the amounts restricted for capital projects, exclusive of unexpended bond proceeds and unrestricted interest earnings.

Note 3 - Detailed Notes on All Funds (Continued)

Restricted for Future Capital Projects - the component of net position that has been established in accordance with Section 3651 of the Education Law of the State of New York to provide funding for future capital projects, subject to voter approval.

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities of the Debt Service Fund with constraints placed on their use by Local Finance Law.

Restricted for Tax Certiorari - the component of net position that has been established in accordance with the Education Law of the State of New York to provide funding for court ordered tax refunds which are currently in process.

Restricted for Retirement Contributions - the component of net position that reports the amounts set aside to be used for retirement costs in accordance with Section 6r of the General Municipal Law of the State of New York.

Restricted for Special Purposes - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by either external parties and/or statute.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Pearl River Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

H. Fund Balances

	2018				2017			
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Nonspendable - Inventories	\$ -	\$ -	\$ 3,549	\$ 3,549	\$ -	\$ -	\$ 3,808	\$ 3,808
Restricted:								
Future capital projects	2,812,227	-	-	2,812,227	2,805,214	-	-	2,805,214
Tax certiorari	1,679,564	-	-	1,679,564	1,775,126	-	-	1,775,126
Tax certiorari - for subsequent year's expenditures	100,000	-	-	100,000	-	-	-	-
Retirement contributions	1,052,118	-	-	1,052,118	1,149,245	-	-	1,149,245
Retirement contributions - for subsequent year's expenditures	100,000	-	-	100,000	-	-	-	-
Employee benefit accrued liability	791,502	-	-	791,502	789,528	-	-	789,528
Debt service	14,136	-	-	14,136	-	-	14,136	14,136
Special purposes	-	-	177,205	177,205	-	-	171,855	171,855
Total Restricted	6,549,547	-	177,205	6,726,752	6,519,113	-	185,991	6,705,104
Assigned:								
Purchases on order:								
General government support	39,807	-	-	39,807	25,566	-	-	25,566
Instruction	26,168	-	-	26,168	327,498	-	-	327,498
Pupil transportation	11,454	-	-	11,454	-	-	-	-
	77,429	-	-	77,429	353,064	-	-	353,064
Subsequent year's expenditures	373,861	-	-	373,861	245,138	-	-	245,138
School Lunch Fund	-	-	686,430	686,430	-	-	603,802	603,802
Total Assigned	451,290	-	686,430	1,137,720	598,202	-	603,802	1,202,004
Unassigned	1,313,983	(3,616,920)	-	(2,302,937)	1,934,868	(2,761,260)	-	(826,392)
Total Fund Balances (Deficit)	\$ 8,314,820	\$ (3,616,920)	\$ 867,184	\$ 5,565,084	\$ 9,052,183	\$ (2,761,260)	\$ 793,601	\$ 7,084,524

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. Those additional elements, which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet are described below.

Inventories in the School Lunch Fund have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditure because the asset is in the form of commodities and the School District anticipates utilizing them in the normal course of operations.

Employee Benefit Accrued Liability - the component of fund balance that has been restricted pursuant to Section 6p of the General Municipal Law of the State of New York to provide funds for the payment of unused sick time and other forms of payments for accrued leave time granted upon termination or separation from service.

Purchases on order are assigned and represent the School District's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Subsequent year's expenditures represent that at June 30, 2018 the Board of Education has utilized the above amounts to be appropriated for the ensuing year's budget.

Assigned for School Lunch Fund represents the component of fund balance that reports the difference between assets and liabilities of the School Lunch Fund.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or assigned. Unassigned fund balance in the Capital Projects Fund represents the deficit balance of the projects.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

There are currently pending certiorari proceedings, some of which are significant, the results of which could require the payment of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

B. Contingencies

The School District participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Uniform Guidance. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

The School District is subject to audits of State aid by the New York State Education Department. The amount of aid previously paid to the School District which may be disallowed cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

C. Risk Management

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

The School District purchases various insurance coverages from the Company to reduce its exposure to loss. The School District maintains general liability insurance coverage with policy limits of \$1 million per occurrence. The School District also maintains liability coverage for school board members up to \$1 million and an excess catastrophe liability policy, which provides coverage up to \$20 million per occurrence. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District and neighboring school districts in Rockland County, New York participate in the Rockland County Schools Cooperative Self-Insurance Plan for Workers' Compensation. This Plan operates under an agreement dated February 11, 1987. The purposes of the Plan are to provide for the efficient economical evaluation, processing, administration, defense and payment of claims against Plan members for workers' compensation, employer's liability through self-insurance and stop loss insurance. The Board of Trustees of the Plan consists of one Trustee from each participant, who is appointed by the Board of Education of the participant. Each trustee shall have one vote and no action may be taken by the Board of Trustees, except by a majority of the total number of Trustees. The School District has transferred all related risk to the Plan.

Health benefits are provided to employees by a variety of conventional plans. The School District is self-insured for dental benefits up to \$2,500 per employee. Claims in excess of this amount are the responsibility of the employee. An administrator has been retained to manage this program. Incurred but not reported claims are not material.

Note 5 - Tax Abatements

The School District has five real property tax abatement agreements with the Town of Orangetown. Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes.

Pearl River Union Free School District, New York

Notes to Financial Statements (Concluded)
June 30, 2018

Note 5 - Tax Abatements (Continued)

Copies of the agreements may be obtained from the School District, 135 West Crooked Hill Road, Pearl River, NY 10965. Information relevant to disclosure of these agreements for the fiscal year ended June 30, 2018 is as follows:

<u>Start Date</u>	<u>Agreement</u>	<u>Taxable Assessed Value</u>	<u>Tax Rate</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
7/1/2014	155 Corporate	\$ 5,800,000	\$ 66.450201	\$ 385,411	\$ 229,488	\$ 155,923
9/1/2010	lcco LLC	975,000	66.450201	64,789	56,133	8,656
7/1/2013	One Olympic	2,161,300	66.450201	143,619	136,438	7,181
12/1/2013	Medlantis	1,225,000	66.450201	81,401	81,401	-
9/1/2017	JP Morgan Chase	675,000	66.450201	32,838	32,838	-
		<u>\$ 10,836,300</u>		<u>\$ 708,058</u>	<u>\$ 536,298</u>	<u>\$ 171,760</u>

Note 6 - Subsequent Event

The School District, on July 24, 2018, issued \$10,000,000 in bond anticipation notes for school construction. The bond anticipation notes mature on July 24, 2019 with interest at 2.75%.

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Pearl River Union Free School District, New York

Required Supplementary Information - Schedule of Changes in the
School District's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years (1),(3)

	<u>2018</u>
Total OPEB Liability:	
Service cost	\$ 4,355,027
Interest	3,243,854
Changes of benefit terms	-
Differences between expected and actual experience	(66,300)
Changes of assumptions or other inputs	-
Benefit payments	<u>(2,595,718)</u>
Net Change in Total OPEB Liability	4,936,863
Total OPEB Liability – Beginning of Year	<u>\$ 105,061,688</u> (2)
Total OPEB Liability – End of Year	<u><u>\$ 109,998,551</u></u>
School District's covered-employee payroll	<u><u>\$ 32,906,300</u></u>
Total OPEB liability as a percentage of covered-employee payroll	<u><u>334.28%</u></u>

Notes to Schedule:

(1) Data not available prior to fiscal year 2018 implementation of Governmental Accounting Standards Board Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other*

(2) Restated for the implementation of the provisions of GASB Statement No. 75.

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

Pearl River Union Free School District, New York

Required Supplementary Information - Schedule of the
 School District's Proportionate Share of the Net Pension Liability (Asset)
 New York State Teachers' Retirement System
 Last Ten Fiscal Years (1)

	2018 (3)	2017 (2)	2016	2015
School District's proportion of the net pension liability (asset)	<u>0.168568%</u>	<u>0.168000%</u>	<u>0.165678%</u>	<u>0.162197%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ (1,281,285)</u>	<u>\$ 1,799,353</u>	<u>\$ (17,208,666)</u>	<u>\$ (18,067,777)</u>
School District's covered payroll	<u>\$ 26,712,500</u>	<u>\$ 25,924,133</u>	<u>\$ 24,887,085</u>	<u>\$ 24,164,140</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>\$ 4.80%</u>	<u>6.94%</u>	<u>69.15%</u>	<u>74.77%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>100.66%</u>	<u>99.01%</u>	<u>110.46%</u>	<u>111.48%</u>

Note - The amounts presented for each fiscal year were determined as of the June 30 measurement date of the prior fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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

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

Pearl River Union Free School District, New YorkRequired Supplementary Information - Schedule of Contributions
New York State Teachers' Retirement System
Last Ten Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,714,278	\$ 3,130,705	\$ 3,437,540	\$ 4,362,706
Contributions in relation to the contractually required contribution	<u>(2,714,278)</u>	<u>(3,130,705)</u>	<u>(3,437,540)</u>	<u>(4,362,706)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 27,696,716</u>	<u>\$ 26,712,500</u>	<u>\$ 25,924,133</u>	<u>\$ 24,887,085</u>
Contributions as a percentage of covered payroll	<u>9.80%</u>	<u>11.72%</u>	<u>13.26%</u>	<u>17.53%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Pearl River Union Free School District, New York

Required Supplementary Information - Schedule of the
School District's Proportionate Share of the Net Pension Liability
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	2018	2017	2016 (2)	2015
School District's proportion of the net pension liability	<u>0.0149185%</u>	<u>0.0143885%</u>	<u>0.0151633%</u>	<u>0.0151660%</u>
School District's proportionate share of the net pension liability	<u>\$ 481,486</u>	<u>\$ 1,351,975</u>	<u>\$ 2,433,745</u>	<u>\$ 512,344</u>
School District's covered payroll	<u>\$ 5,367,848</u>	<u>\$ 5,091,904</u>	<u>\$ 4,946,282</u>	<u>\$ 5,083,095</u>
School District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>8.97%</u>	<u>26.55%</u>	<u>49.20%</u>	<u>10.08%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>98.24%</u>	<u>94.70%</u>	<u>90.68%</u>	<u>97.90%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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

Pearl River Union Free School District, New York

Required Supplementary Information - Schedule of Contributions
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 812,014	\$ 771,011	\$ 870,435	\$ 963,329
Contributions in relation to the contractually required contribution	<u>(812,014)</u>	<u>(771,011)</u>	<u>(870,435)</u>	<u>(963,329)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 5,360,405</u>	<u>\$ 4,960,337</u>	<u>\$ 5,081,162</u>	<u>\$ 5,140,966</u>
Contributions as a percentage of covered payroll	<u>15.15%</u>	<u>15.54%</u>	<u>17.13%</u>	<u>18.74%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards
Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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Pearl River Union Free School District, New York

General Fund
Comparative Balance Sheet
June 30,

	2018	2017
ASSETS		
Cash and equivalents	\$ 14,529,490	\$ 15,681,124
Receivables		
Accounts	72,077	9,270
State and Federal aid	366,953	354,846
Due from other governments	683,959	729,887
Due from other funds	1,248,718	203,217
	2,371,707	1,297,220
Total Assets	\$ 16,901,197	\$ 16,978,344
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 456,713	\$ 334,491
Accrued liabilities	3,758,434	3,644,612
Due to other governments	1,319,600	478,863
Due to retirement systems	3,050,708	3,468,195
Unearned revenues	922	-
Total Liabilities	8,586,377	7,926,161
Fund balance		
Restricted	6,549,547	6,519,113
Assigned	451,290	353,064
Unassigned	1,313,983	2,180,006
Total Fund Balance	8,314,820	9,052,183
Total Liabilities and Fund Balance	\$ 16,901,197	\$ 16,978,344

See independent auditors' report.

Pearl River Union Free School District, New York

General Fund
Comparative Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Years Ended June 30,

	2018				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
REVENUES					
Real property taxes	\$ 48,417,311	\$ 48,417,311	\$ 48,557,121	\$	\$ 139,810
Other tax items	6,024,521	6,024,521	5,960,063		(64,458)
Charges for services	86,000	86,000	115,231		29,231
Use of money and property	444,000	444,000	883,842		439,842
Sale of property and compensation for loss	-	-	4,645		4,645
State aid	10,353,282	10,393,282	10,330,943		(62,339)
Federal aid	10,000	10,000	448		(9,552)
Miscellaneous	300,000	300,000	312,485		12,485
Total Revenues	65,635,114	65,675,114	66,164,778		489,664
EXPENDITURES					
Current					
General support					
Board of education	50,000	59,937	55,658	-	4,279
Central administration	364,422	361,270	360,403	-	867
Finance	811,083	816,837	813,775	959	2,103
Staff	509,999	514,634	486,260	-	28,374
Central services	4,112,958	4,088,539	4,161,631	38,848	(111,940)
Special items	655,001	642,140	599,581	-	42,559
Total General Support	6,503,463	6,483,357	6,477,308	39,807	(33,758)
Instruction					
Instruction, administration and improvement	2,380,027	2,314,434	2,278,904	2,122	33,408
Teaching - Regular school	21,952,887	21,950,146	21,915,983	21,550	12,613
Programs for students with disabilities	9,675,875	10,340,428	10,255,415	402	84,611
Occupational education	225,000	634,757	634,756	-	1
Teaching - Special schools	17,000	17,178	16,614	-	564
Instructional media	1,965,613	1,948,641	2,063,412	1,175	(115,946)
Pupil services	3,267,924	3,245,129	3,093,977	919	150,233
Total Instruction	39,484,326	40,450,713	40,259,061	26,168	165,484
Pupil transportation	3,256,288	3,319,620	3,135,458	11,454	172,708
Employee benefits	14,239,812	14,187,870	14,141,444	-	46,426
Debt service					
Principal	1,810,583	1,810,583	1,831,833	-	(21,250)
Interest	463,844	463,844	463,844	-	-
Total Expenditures	65,758,316	66,715,987	66,308,948	77,429	329,610
Excess (Deficiency) of Revenues Over Expenditures	(123,202)	(1,040,873)	(144,170)	(77,429)	819,274
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	14,136	-	14,136
Transfers out	(475,000)	(507,329)	(607,329)	-	(100,000)
Total Other Financing Uses	(475,000)	(507,329)	(593,193)	-	(85,864)
Net Change in Fund Balance	(598,202)	(1,548,202)	(737,363)	\$ (77,429)	\$ 733,410
FUND BALANCE					
Beginning of Year	598,202	1,548,202	9,052,183		
End of Year	\$ -	\$ -	\$ 8,314,820		

See independent auditors' report.

2017				
Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
\$ 47,490,459	\$ 47,490,459	\$ 47,458,875	\$	\$ (31,584)
5,894,487	5,894,487	5,896,021		1,534
71,000	71,000	115,053		44,053
528,000	528,000	594,280		66,280
-	-	690		690
10,329,675	10,329,675	10,041,847		(287,828)
10,100	10,100	2,087		(8,013)
261,000	261,000	484,379		223,379
64,584,721	64,584,721	64,593,232		8,511
50,700	61,370	52,372	-	8,998
385,589	357,629	357,529	-	100
606,425	818,650	807,938	4,282	6,430
315,274	480,828	480,828	-	-
4,140,196	4,220,023	4,192,811	21,283	5,929
727,878	690,917	663,009	1	27,907
6,226,062	6,629,417	6,554,487	25,566	49,364
3,109,228	2,324,798	2,243,121	-	81,677
21,319,912	21,443,592	21,431,691	11,901	-
9,407,066	9,403,102	9,403,102	308,965	(308,965)
242,000	309,496	309,498	-	(2)
18,660	18,660	17,611	-	1,049
2,037,070	2,045,553	2,043,332	2,221	-
2,800,918	3,187,039	3,162,298	4,411	20,330
38,934,854	38,732,240	38,610,653	327,498	(205,911)
2,812,712	3,015,703	2,952,656	-	63,047
14,199,844	13,831,157	13,774,137	-	57,020
1,753,076	1,753,076	1,753,076	-	-
517,525	532,727	532,727	-	-
64,444,073	64,494,320	64,177,736	353,064	(36,480)
140,648	90,401	415,496	(353,064)	(27,969)
-	-	-	-	-
(275,000)	(968,357)	(968,357)	-	-
(275,000)	(968,357)	(968,357)	-	-
(134,352)	(877,956)	(552,861)	\$ (353,064)	\$ (27,969)
134,352	877,956	9,605,044		
\$ -	\$ -	\$ 9,052,183		

Pearl River Union Free School District, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	<u>\$ 48,417,311</u>	<u>\$ 48,417,311</u>	<u>\$ 48,557,121</u>	<u>\$ 139,810</u>
OTHER TAX ITEMS				
School tax relief reimbursement	5,500,000	5,500,000	5,423,765	(76,235)
Payments in lieu of taxes	<u>524,521</u>	<u>524,521</u>	<u>536,298</u>	<u>11,777</u>
	<u>6,024,521</u>	<u>6,024,521</u>	<u>5,960,063</u>	<u>(64,458)</u>
CHARGES FOR SERVICES				
Continuing education tuition	4,000	4,000	20,008	16,008
Other student fees and charges	3,000	3,000	7,073	4,073
Admissions - Individuals	4,000	4,000	3,693	(307)
Health services for other districts	<u>75,000</u>	<u>75,000</u>	<u>84,457</u>	<u>9,457</u>
	<u>86,000</u>	<u>86,000</u>	<u>115,231</u>	<u>29,231</u>
USE OF MONEY AND PROPERTY				
Earnings on investments	40,000	40,000	209,670	169,670
Rental of real property - Individuals	366,000	366,000	626,713	260,713
Rental of real property - Other governments	<u>38,000</u>	<u>38,000</u>	<u>47,459</u>	<u>9,459</u>
	<u>444,000</u>	<u>444,000</u>	<u>883,842</u>	<u>439,842</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Other	<u>-</u>	<u>-</u>	<u>4,645</u>	<u>4,645</u>

STATE AID

Basic formula aid	8,721,001	8,721,001	8,645,139	(75,862)
BOCES aid	1,396,652	1,396,652	1,410,133	13,481
Textbooks aid	155,000	155,000	153,081	(1,919)
Computer software aid	63,629	63,629	65,503	1,874
Library aid	17,000	17,000	17,087	87
Tax limitation aid	-	40,000	40,000	-
	<u>10,353,282</u>	<u>10,393,282</u>	<u>10,330,943</u>	<u>(62,339)</u>

FEDERAL AID

Medical assistance	<u>10,000</u>	<u>10,000</u>	<u>448</u>	<u>(9,552)</u>
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MISCELLANEOUS

Refunds of prior year's expenditures	10,000	10,000	12,627	2,627
Refunds for BOCES aided services	200,000	200,000	205,791	5,791
Other	<u>90,000</u>	<u>90,000</u>	<u>94,067</u>	<u>4,067</u>
	<u>300,000</u>	<u>300,000</u>	<u>312,485</u>	<u>12,485</u>

TOTAL REVENUES

<u>65,635,114</u>	<u>65,675,114</u>	<u>66,164,778</u>	<u>489,664</u>
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OTHER FINANCING SOURCES

Transfers in - Debt Service Fund	<u>-</u>	<u>-</u>	<u>14,136</u>	<u>14,136</u>
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**TOTAL REVENUES AND
OTHER FINANCING SOURCES**

<u>\$ 65,635,114</u>	<u>\$ 65,675,114</u>	<u>\$ 66,178,914</u>	<u>\$ 503,800</u>
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Pearl River Union Free School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
<i>BOARD OF EDUCATION</i>					
Board of education	\$ 37,000	\$ 37,088	\$ 35,661	\$ -	\$ 1,427
District clerk	-	10,947	10,947	-	-
District meeting	13,000	11,902	9,050	-	2,852
Total Board of Education	50,000	59,937	55,658	-	4,279
<i>CENTRAL ADMINISTRATION</i>					
Chief school administrator	364,422	361,270	360,403	-	867
<i>FINANCE</i>					
Business administration	730,353	746,555	748,438	959	(2,842)
Auditing	57,500	45,234	42,234	-	3,000
Fiscal agent fees	-	10,000	8,261	-	1,739
Treasurer	23,230	15,048	14,842	-	206
Total Finance	811,083	816,837	813,775	959	2,103
<i>STAFF</i>					
Legal	140,000	140,000	88,385	-	51,615
Personnel	344,999	344,289	368,285	-	(23,996)
Public information and services	25,000	30,345	29,590	-	755
Total Staff	509,999	514,634	486,260	-	28,374

CENTRAL SERVICES

Operation of plant	2,895,747	2,737,042	2,663,148	22,322	51,572
Maintenance of plant	1,181,036	1,313,065	1,460,051	16,526	(163,512)
Central data processing	36,175	38,432	38,432	-	-
Total Central Services	4,112,958	4,088,539	4,161,631	38,848	(111,940)

SPECIAL ITEMS

Unallocated insurance	240,001	234,000	233,160	-	840
Judgments and claims	-	36,140	52,464	-	(16,324)
Refunds of real property taxes	100,000	100,000	43,392	-	56,608
Sewer assessments	90,000	67,000	66,372	-	628
Administrative charge - BOCES	225,000	205,000	204,193	-	807

Total Special Items	655,001	642,140	599,581	-	42,559
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Total General Support	6,503,463	6,483,357	6,477,308	39,807	(33,758)
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INSTRUCTION

INSTRUCTION, ADMINISTRATION AND IMPROVEMENT

Curriculum development and supervision	298,082	381,392	381,046	-	346
Supervision - Regular school	1,935,125	1,839,148	1,828,483	2,122	8,543
Research, planning and evaluation	71,820	65,894	42,226	-	23,668
In-service training - Instruction	75,000	28,000	27,149	-	851

Total Instruction, Administration and Improvement	2,380,027	2,314,434	2,278,904	2,122	33,408
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TEACHING - REGULAR SCHOOL	21,952,887	21,950,146	21,915,983	21,550	12,613
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PROGRAMS FOR STUDENTS WITH DISABILITIES	9,675,875	10,340,428	10,255,415	402	84,611
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OCCUPATIONAL EDUCATION	225,000	634,757	634,756	-	1
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TEACHING - SPECIAL SCHOOLS	17,000	17,178	16,614	-	564
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(Continued)

Pearl River Union Free School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
INSTRUCTION (Continued)					
INSTRUCTIONAL MEDIA					
School library and audiovisual	\$ 516,923	\$ 530,395	\$ 596,425	\$ -	\$ (66,030)
Computer assisted instruction	1,448,690	1,418,246	1,466,987	1,175	(49,916)
Total Instructional Media	1,965,613	1,948,641	2,063,412	1,175	(115,946)
PUPIL SERVICES					
Attendance - Regular school	22,686	17,686	17,050	-	636
Guidance - Regular school	895,202	924,867	891,656	-	33,211
Health services - Regular school	554,233	560,560	531,039	231	29,290
Psychological services - Regular school	630,586	605,506	469,490	-	136,016
Co-curricular activities - Regular school	15,800	10,240	9,590	-	650
Interscholastic athletics - Regular school	1,149,417	1,126,270	1,175,152	688	(49,570)
Total Pupil Services	3,267,924	3,245,129	3,093,977	919	150,233
Total Instruction	39,484,326	40,450,713	40,259,061	26,168	165,484
PUPIL TRANSPORTATION					
District transportation	161,826	187,747	180,692	-	7,055
Contract transportation	2,761,462	2,755,921	2,578,814	11,454	165,653
Transportation from BOCES	333,000	375,952	375,952	-	-
Total Pupil Transportation	3,256,288	3,319,620	3,135,458	11,454	172,708

EMPLOYEE BENEFITS

State retirement	700,000	789,482	789,482	-	-
Teachers' retirement	3,100,000	2,749,327	2,707,326	-	42,001
Social security	2,400,000	2,447,155	2,447,225	-	(70)
Workers' compensation benefits	260,000	234,000	233,204	-	796
Life insurance	9,000	9,000	5,786	-	3,214
Unemployment benefits	40,000	5,000	4,183	-	817
Disability insurance	-	3,000	3,000	-	-
Hospital, medical and dental insurance	7,667,812	7,907,334	7,907,706	-	(372)
Welfare fund	52,000	38,000	37,960	-	40
Flex plan	11,000	5,572	5,572	-	-
	<u>14,239,812</u>	<u>14,187,870</u>	<u>14,141,444</u>	<u>-</u>	<u>46,426</u>
Total Employee Benefits					

DEBT SERVICE

Principal					
Serial bonds	1,543,750	1,543,750	1,565,000	-	(21,250)
Energy performance contract	266,833	266,833	266,833	-	-
	<u>1,810,583</u>	<u>1,810,583</u>	<u>1,831,833</u>	<u>-</u>	<u>(21,250)</u>
Interest					
Serial bonds	306,119	306,119	306,119	-	-
Energy performance contract	96,475	96,475	96,475	-	-
Bond anticipation notes	61,250	61,250	61,250	-	-
	<u>463,844</u>	<u>463,844</u>	<u>463,844</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>2,274,427</u>	<u>2,274,427</u>	<u>2,295,677</u>	<u>-</u>	<u>(21,250)</u>

TOTAL EXPENDITURES

	<u>65,758,316</u>	<u>66,715,987</u>	<u>66,308,948</u>	<u>77,429</u>	<u>329,610</u>
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OTHER FINANCING USES

Transfers out					
Capital Projects Fund	400,000	400,000	500,000	-	(100,000)
Special Aid Fund	75,000	107,329	107,329	-	-
	<u>475,000</u>	<u>507,329</u>	<u>607,329</u>	<u>-</u>	<u>(100,000)</u>
TOTAL OTHER FINANCING USES					

TOTAL EXPENDITURES AND OTHER FINANCING USES

	<u>\$ 66,233,316</u>	<u>\$ 67,223,316</u>	<u>\$ 66,916,277</u>	<u>\$ 77,429</u>	<u>\$ 229,610</u>
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See independent auditors' report.

Pearl River Union Free School District, New York

Capital Projects Fund
Comparative Balance Sheet
June 30,

	2018	2017
ASSETS		
Cash and equivalents	\$ 241,654	\$ 219,439
Due from other funds	400,000	801,228
Total Assets	<u>\$ 641,654</u>	<u>\$ 1,020,667</u>
LIABILITIES AND FUND DEFICIT		
Liabilities		
Accounts payable	\$ 41,746	\$ 281,927
Bond anticipation notes payable	3,400,000	3,500,000
Due to other funds	816,828	-
Total Liabilities	4,258,574	3,781,927
Fund deficit		
Unassigned	<u>(3,616,920)</u>	<u>(2,761,260)</u>
Total Liabilities and Fund Deficit	<u>\$ 641,654</u>	<u>\$ 1,020,667</u>

See independent auditors' report.

Pearl River Union Free School District, New York

Capital Projects Fund
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Years Ended June 30,

	<u>2018</u>	<u>2017</u>
EXPENDITURES		
Capital outlay	\$ 1,355,660	\$ 1,569,600
OTHER FINANCING SOURCES		
Transfers in	<u>500,000</u>	<u>885,427</u>
Net Change in Fund Balance	(855,660)	(684,173)
FUND DEFICIT		
Beginning of Year	<u>(2,761,260)</u>	<u>(2,077,087)</u>
End of Year	<u><u>\$ (3,616,920)</u></u>	<u><u>\$ (2,761,260)</u></u>

Pearl River Union Free School District, New York

Capital Projects Fund

Project-Length Schedule

Inception of Project Through June 30, 2018

PROJECT	Authorization	Expenditures and Transfers to Date			Unexpended Balance
		Prior Years	Current Year	Total	
District-Wide Reconstruction	\$ 17,660,000	\$ 17,267,632	\$ -	\$ 17,267,632	\$ 392,368
High School Electrical Upgrade	860,000	621,006	-	621,006	238,994
Middle School Electrical Upgrade	405,000	218,215	-	218,215	186,785
High School Reconstruction	1,750,000	1,305,378	-	1,305,378	444,622
Crooked Hill Purchase	4,900,000	4,900,000	-	4,900,000	-
District-Wide Reconstruction - 2017	32,182,000	385,427	1,355,660	1,741,087	30,440,913
Totals	<u>\$ 57,757,000</u>	<u>\$ 24,697,658</u>	<u>\$ 1,355,660</u>	<u>\$ 26,053,318</u>	<u>\$ 31,703,682</u>

Proceeds of Obligations	Methods of Financing			Fund Balance (Deficit) at June 30, 2018	Bond Anticipation Notes Out- standing at June 30, 2018
	Transfers	State Aid	Total		
\$ 17,660,000	\$ -	\$ -	\$ 17,660,000	\$ 392,368	\$ -
-	158,259	462,747	621,006	-	-
-	35,997	182,218	218,215	-	-
-	1,750,000	-	1,750,000	444,622	-
1,500,000	-	-	1,500,000	(3,400,000)	3,400,000
-	687,177	-	687,177	(1,053,910)	-
<u>\$ 19,160,000</u>	<u>\$ 2,631,433</u>	<u>\$ 644,965</u>	<u>\$ 22,436,398</u>	<u>\$ (3,616,920)</u>	<u>\$ 3,400,000</u>

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Pearl River Union Free School District, New York

Special Aid Fund
Comparative Balance Sheet
June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
State and Federal aid receivable	<u>\$ 1,069,167</u>	<u>\$ 1,119,697</u>
LIABILITIES		
Accounts payable	\$ 83,183	\$ 101,116
Due to other funds	<u>985,984</u>	<u>1,018,581</u>
Total Liabilities	<u>\$ 1,069,167</u>	<u>\$ 1,119,697</u>

Pearl River Union Free School District, New York

Special Aid Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Years Ended June 30,

	2018			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State aid	\$ 488,141	\$ 488,141	\$ 488,140	\$ (1)
Federal aid	864,586	864,194	864,193	(1)
Total Revenues	1,352,727	1,352,335	1,352,333	(2)
EXPENDITURES				
Current				
Instruction	1,427,727	1,459,664	1,459,662	2
Deficiency of Revenues Over Expenditures	(75,000)	(107,329)	(107,329)	-
OTHER FINANCING SOURCES				
Transfers in	75,000	107,329	107,329	-
Net Change in Fund Balance	-	-	-	-
FUND BALANCE				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

2017			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 417,133	\$ 409,203	\$ 409,203	\$ -
858,875	858,875	855,301	(3,574)
1,276,008	1,268,078	1,264,504	(3,574)
1,351,008	1,351,008	1,347,434	3,574
(75,000)	(82,930)	(82,930)	-
75,000	82,930	82,930	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

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Pearl River Union Free School District, New York

Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2018
 (With Comparative Totals for 2017)

			Total Non-Major Governmental Funds	
	School Lunch	Special Purpose	2018	2017
ASSETS				
Cash and equivalents	\$ 636,306	\$ 177,205	\$ 813,511	\$ 779,860
Receivables				
State and Federal aid	10,252	-	10,252	10,279
Due from other funds	154,094	-	154,094	14,136
	164,346	-	164,346	24,415
Inventories	3,549	-	3,549	3,808
Total Assets	<u>\$ 804,201</u>	<u>\$ 177,205</u>	<u>\$ 981,406</u>	<u>\$ 808,083</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 114,187	\$ -	\$ 114,187	\$ 14,345
Due to other governments	35	-	35	137
Total Liabilities	114,222	-	114,222	14,482
Fund balances				
Nonspendable	3,549	-	3,549	3,808
Restricted	-	177,205	177,205	185,991
Assigned	686,430	-	686,430	603,802
Total Fund Balances	689,979	177,205	867,184	793,601
Total Liabilities and Fund Balances	<u>\$ 804,201</u>	<u>\$ 177,205</u>	<u>\$ 981,406</u>	<u>\$ 808,083</u>

See independent auditors' report.

Pearl River Union Free School District, New York

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>School Lunch</u>	<u>Special Purpose</u>	<u>Debt Service</u>
REVENUES			
Use of money and property	\$ 962	\$ 160	\$ -
State aid	8,488	-	-
Federal aid	190,930	-	-
Food sales	443,833	-	-
Miscellaneous	-	38,723	-
	<u>644,213</u>	<u>38,883</u>	<u>-</u>
Total Revenues			
EXPENDITURES			
Current			
Cost of food sales	561,844	-	-
Other	-	33,533	-
	<u>561,844</u>	<u>33,533</u>	<u>-</u>
Total Expenditures			
Excess of Revenues Over Expenditures	82,369	5,350	-
OTHER FINANCING USES			
Transfers out	-	-	(14,136)
	<u>-</u>	<u>-</u>	<u>(14,136)</u>
Net Change in Fund Balances	82,369	5,350	(14,136)
FUND BALANCES			
Beginning of Year	<u>607,610</u>	<u>171,855</u>	<u>14,136</u>
End of Year	<u>\$ 689,979</u>	<u>\$ 177,205</u>	<u>\$ -</u>

See independent auditors' report.

Total Non-Major Governmental Funds	
2018	2017
\$ 1,122	\$ 409
8,488	8,225
190,930	184,925
443,833	437,403
38,723	33,533
683,096	664,495
561,844	553,938
33,533	29,284
595,377	583,222
87,719	81,273
(14,136)	-
73,583	81,273
793,601	712,328
\$ 867,184	\$ 793,601

Pearl River Union Free School District, New York

School Lunch Fund
Comparative Balance Sheet
June 30,

	2018	2017
ASSETS		
Cash and equivalents	<u>\$ 636,306</u>	<u>\$ 608,005</u>
Receivables		
State and Federal aid	10,252	10,279
Due from other funds	<u>154,094</u>	<u>-</u>
	<u>164,346</u>	<u>10,279</u>
Inventories	<u>3,549</u>	<u>3,808</u>
Total Assets	<u><u>\$ 804,201</u></u>	<u><u>\$ 622,092</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 114,187	\$ 14,345
Due to other governments	<u>35</u>	<u>137</u>
Total Liabilities	<u>114,222</u>	<u>14,482</u>
Fund balance		
Nonspendable	3,549	3,808
Assigned	<u>686,430</u>	<u>603,802</u>
Total Fund Balance	<u>689,979</u>	<u>607,610</u>
Total Liabilities and Fund Balance	<u><u>\$ 804,201</u></u>	<u><u>\$ 622,092</u></u>

See independent auditors' report.

Pearl River Union Free School District, New York

School Lunch Fund

**Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended June 30,**

	<u>2018</u>	<u>2017</u>
REVENUES		
Use of money and property	\$ 962	\$ 333
State aid	8,488	8,225
Federal aid	190,930	184,925
Food sales	<u>443,833</u>	<u>437,403</u>
 Total Revenues	 644,213	 630,886
 EXPENDITURES		
Current		
Cost of food sales	<u>561,844</u>	<u>553,938</u>
 Excess of Revenues Over Expenditures	 82,369	 76,948
 FUND BALANCE		
Beginning of Year	<u>607,610</u>	<u>530,662</u>
 End of Year	<u><u>\$ 689,979</u></u>	<u><u>\$ 607,610</u></u>

See independent auditors' report.

Pearl River Union Free School District, New York

Special Purpose Fund
Comparative Balance Sheet
June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	<u>\$ 177,205</u>	<u>\$ 171,855</u>
FUND BALANCE		
Restricted	<u>\$ 177,205</u>	<u>\$ 171,855</u>

See independent auditors' report.

Pearl River Union Free School District, New York

Special Purpose Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended June 30,

	<u>2018</u>	<u>2017</u>
REVENUES		
Use of money and property	\$ 160	\$ 74
Miscellaneous	<u>38,723</u>	<u>33,533</u>
Total Revenues	38,883	33,607
EXPENDITURES		
Current		
Other	<u>33,533</u>	<u>29,284</u>
Excess of Revenues Over Expenditures	5,350	4,323
FUND BALANCE		
Beginning of Year	<u>171,855</u>	<u>167,532</u>
End of Year	<u>\$ 177,205</u>	<u>\$ 171,855</u>

Pearl River Union Free School District, New York

Debt Service Fund
Comparative Balance Sheet
June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
Due from other funds	<u>\$ -</u>	<u>\$ 14,136</u>
FUND BALANCE		
Restricted	<u>\$ -</u>	<u>\$ 14,136</u>

Pearl River Union Free School District, New York

Debt Service Fund

Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended June 30,

	2018	2017
REVENUES		
Use of money and property	\$ -	\$ 2
EXPENDITURES	-	-
Excess of Revenues Over Expenditures	-	2
OTHER FINANCING USES		
Transfers out	14,136	-
Net Change in Fund Balance	(14,136)	2
FUND BALANCE		
Beginning of Year	14,136	14,134
End of Year	\$ -	\$ 14,136

See independent auditors' report.

Pearl River Union Free School District, New York

General Fund

Analysis of Change from Adopted Budget to Final Budget
Year Ended June 30, 2018

Adopted Budget		\$ 65,880,252
Additions		
Encumbrances		<u>353,064</u>
Original Budget		66,233,316
Budget Amendments		<u>990,000</u>
Final Budget		<u><u>\$ 67,223,316</u></u>

General Fund

Section 1318 of Real Property Tax Law Limit Calculation
Year Ended June 30, 2018

2018-19 Expenditure Budget		<u>\$ 68,078,176</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		
Unrestricted fund balance		
Assigned fund balance	451,290	
Unassigned fund balance	<u>1,313,983</u>	
Total Unrestricted Fund Balance	1,765,273	
Less		
Appropriated for subsequent year's budget	373,861	
Encumbrances	<u>77,429</u>	
Total Adjustments	<u>451,290</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$ 1,313,983</u></u>
Actual Percentage		<u><u>1.93%</u></u>

See independent auditors' report.

Pearl River Union Free School District, New York

Schedule of Net Investment in Capital Assets

Year Ended June 30, 2018

Capital Assets, net		\$ 41,421,357
Less		
Bonds payable - Capital construction	(7,710,000)	
Unamortized portion of premium on refunding bonds	(210,143)	
Energy performance contract payable	(2,666,431)	
Bond anticipation notes payable	<u>(3,400,000)</u>	(13,986,574)
Add		
Unamortized portion of loss on refunding bonds	80,037	
Unexpended bond proceeds	<u>392,368</u>	<u>472,405</u>
Net Investment in Capital Assets		<u>\$ 27,907,188</u>

See independent auditors' report.

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**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**

Independent Auditors' Report

**The Board of Education of the
Pearl River Union Free School District, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pearl River Union Free School District, New York ("School District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 1, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

October 1, 2018

**Report on Compliance For Each Major Federal Program and Report on
Internal Control Over Compliance Required by
the Uniform Guidance**

Independent Auditors' Report

**The Board of Education of the
Pearl River Union Free School District, New York**

Report on Compliance for Each Major Federal Program

We have audited the Pearl River Union Free School District, New York's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

October 1, 2018

Pearl River Union Free School District, New York

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Sub- Recipients</u>	<u>Federal Program Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Indirect Programs - Passed through New York State Department of Education				
<i>Child Nutrition Cluster</i>				
National School Lunch Program - Commodities	10.555	N/A	\$ -	\$ 36,935
National School Lunch Program - Cash	10.555	N/A	-	153,995
Total U.S. Department of Agriculture			-	190,930
<u>U.S. Department of Education</u>				
Indirect Programs - Passed through New York State Department of Education				
<i>Special Education Cluster (IDEA)</i>				
Special Education - Grants to States	84.027	0032-17-0775	-	526,459
Special Education - Preschool Grants	84.173	0033-17-0775	-	27,597
Subtotal Special Education Cluster			-	554,056
Title I Grants to Local Educational Agencies	84.010	0021-17-2560	-	242,578
Supporting Effective Instruction State Grants	84.367	0147-17-2560	-	67,559
Hurricane Education Recovery	84.938	N/A	-	20,250
Total U.S. Department of Education			-	884,443
Total Expenditures of Federal Awards			\$ -	\$ 1,075,373

(1) Catalog of Federal Domestic Assistance number
N/A - Information not available.

The accompanying notes are an integral part of this schedule.

Pearl River Union Free School District, New York

Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Pearl River Union Free School District, New York ("School District") under programs of the federal government for the year ended June 30, 2018. Federal awards received directly from the Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Pass-through identifying numbers are presented where available.

Pearl River Union Free School District, New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on
whether the financial statements audited
were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

____ Yes X No
____ Yes X None reported

Noncompliance material to financial statements
noted?

____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

____ Yes X No
____ Yes X None reported

Type of auditors' report issued on compliance
for major federal programs

Unmodified

Any audit findings disclosed that are
required to be reported in accordance with
2 CFR 200.516(a)?

____ Yes X No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027
84.173

Special Education Cluster
Special Education - Grants to States
Special Education - Preschool Grants

Dollar threshold used to distinguish
between Type A and Type B programs:
Auditee qualified as low-risk auditee?

\$750,000
 X Yes ____ No

Pearl River Union Free School District, New York

Schedule of Findings and Questioned Costs (Concluded)
Year Ended June 30, 2018

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Pearl River Union Free School District, New York

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

None