

**PEARL RIVER UNION FREE  
SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019**

# PEARL RIVER UNION FREE SCHOOL DISTRICT

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**R.S. ABRAMS & CO., LLP**

*Accountants & Consultants for Over 75 years*

Robert S. Abrams  
(1926–2014)

Marianne E. Van Duyne, CPA  
Alexandria M. Battaglia, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Pearl River Union Free School District

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Pearl River Union Free School District, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Pearl River Union Free School District, as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 3 through 16 and 58 through 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2019 on our consideration of the Pearl River Union Free 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pearl River Union Free 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 Pearl River Union Free School District's internal control over financial reporting and compliance.

*R. S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
September 24, 2019

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 1**

The following is a discussion and analysis of the Pearl River Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2019. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

**1. FINANCIAL HIGHLIGHTS**

- The District's expenses for the year, as reflected in the District-Wide Financial Statements, totaled \$72,873,490. Of this amount, \$629,281 was offset by program charges for services and \$1,618,486 was offset by operating grants and contributions. General revenues of \$68,097,483 amount to 96.80% of total revenues.
- The general fund total fund balance, as reflected in the Fund Financial Statements, decreased by \$2,338,353. This was due to an excess of expenditures and other financing uses over revenues and other financing sources based on the modified accrual basis of accounting.
- In May 2019, the District issued \$3,335,000 in serial bonds, payable over 20 years and maturing in May 2039. This was issued pursuant to a bond resolution dated November 2010 for the acquisition of land, together with buildings and improvements thereon, as well as improvements to the Pearl River High School. This issuance completed the funding and the authorization for these projects.
- The District overspent the general fund budget by \$848,638 primarily in instructional costs relating to teaching- regular school and programs for children with handicap conditions, as well as special items in general support. However, the District also received revenues over budget of \$1,587,725. Refer to Supplemental Schedule #1 for more details.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.
  - The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.

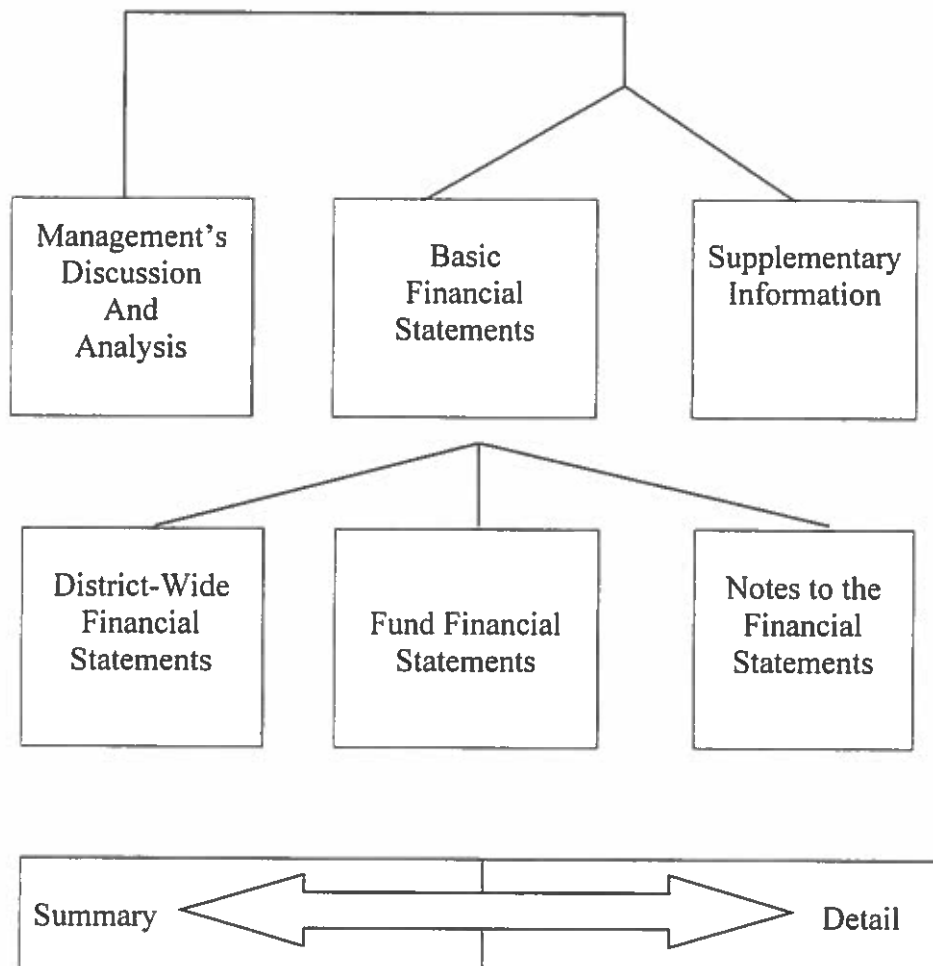
**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT I**

- *Fiduciary Fund Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The following shows how the various parts of this annual report are arranged and related to one another.

**Organization of the District's Annual Financial Report**



**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 1**

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

**Major Features of the District-Wide Financial Statements and Fund Financial Statements**

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflow of resources and liability/deferred inflow of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Current assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All financial assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any), short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 1**

**A) District-Wide Financial Statements:**

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

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

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

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

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
  - *Net investment in capital assets*;
  - *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation; and
  - *Unrestricted net position* are net position that do not meet any of the above restrictions.



**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 1**

**B) Fund Financial Statements:**

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

The District has two kinds of funds:

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information in a separate reconciliation schedule explains the relationship (or differences) between them. In summary, the Governmental Fund Financial Statements focus primarily on the sources, uses, and balance of current financial resources and often have a budgetary orientation. Included are the general fund, special aid fund, school lunch fund, capital projects fund, and special purpose fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *Fiduciary fund:* The District is the trustee or *fiduciary* for assets that belong to others, such as student activities funds, and employee payroll withholdings. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A) Net Position:**

The District's net position decreased by \$2,528,240 in the fiscal year ended June 30, 2019 as detailed in the table that follows.

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 1**

**Condensed Statement of Net Position**

	Fiscal Year 2019	Fiscal Year 2018*	Change	Total Percentage Change
Current assets	\$18,605,792	\$17,790,612	\$815,180	4.58%
Capital assets	49,384,736	41,421,357	7,963,379	19.23%
Net pension asset -proportionate share	3,074,673	1,281,285	1,793,388	139.97%
Total Assets	71,065,201	60,493,254	10,571,947	17.48%
Deferred outflows of resources	17,210,292	18,710,405	(1,500,113)	-8.02%
Total assets and deferred outflows of resources	88,275,493	79,203,659	9,071,834	11.45%
Current liabilities	19,430,962	12,291,230	7,139,732	58.09%
Long-term liabilities	121,859,234	124,034,004	(2,174,770)	-1.75%
Total Liabilities	141,290,196	136,325,234	4,964,962	3.64%
Deferred inflows of resources	11,992,167	5,348,139	6,644,028	124.23%
Total liabilities and deferred inflows of resources	153,282,363	141,673,373	11,608,990	8.19%
Net Position				
Net investment in capital assets	27,048,926	27,907,188	(858,262)	-3.08%
Restricted	3,802,451	6,717,836	(2,915,385)	-43.40%
Unrestricted (deficit)	(95,858,247)	(97,103,654)	1,245,407	1.28%
Total Net Position	(\$65,006,870)	(\$62,478,630)	(\$2,528,240)	-4.05%

\*Reclassifications have been made to the 2018 information to conform to the 2019 reporting. In addition, 2018 has been restated, see Note 17.

Current assets increased by \$815,180 from 2018 to 2019. This change is primarily related to an increase in cash. Capital assets (net of depreciation) increased \$7,963,379 due to the increase in construction projects offset by current year depreciation. The District reported a net pension asset - proportionate share for the teachers' retirement system of \$3,074,673 as a result of the actuarial valuation provided by the state, which is an increase of \$1,793,388 from the net pension asset - proportionate share reported in the prior year. The change in deferred outflows of resources represents amortization of the pension related items and the change in the District's contributions subsequent to the measurement date, as discussed in Note 13, as well as amortization on the deferred charges on refundings, as discussed in Note 12.

Current liabilities increased by \$7,139,732. This is primarily attributable to the issuance of the increased bond anticipation note of \$10,000,000. Long-term liabilities decreased by \$2,174,770 due to current year principal payments on debt, and the decrease in the total other post-employment benefits obligation partially offset by the increase in the net pension liability for ERS and the issuance in bonds payable caused by the issuance of the bond in the current year. The change in deferred inflows represent amortization of pension related items as discussed in Note 13, and the

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 1**

amortization of deferred inflows for other post-employment benefits obligation, as discussed in Note 15.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt (including debt related items such as premiums and deferred charges). This number decreased from the prior year by \$858,262 primarily due to current year depreciation and issuance of the increased bond anticipation note payable partially offset by capital additions and current year bond and energy performance principal payments.

The restricted net position at June 30, 2019, relates to the District's reserves and restricted amounts for special purposes. Restricted net position decreased by \$2,915,385. This was primarily the result of the District utilizing the reserves, which is discussed further in section 4 of this Management Discussion and Analysis entitled "Financial Analysis of the District's Funds" and section 5, entitled "General Fund Budgetary Highlights".

The unrestricted net position (deficit) at June 30, 2019 of (\$95,858,247) relates to the balance of the District's net position. The unrestricted net deficit decreased by \$1,245,407.

**B) Changes in Net Position:**

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2019 and 2018 are as follows:

**Change in Net Position from Operating Results**

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Percentage Change
<b>Program Revenues</b>				
Charges for services	\$629,281	\$559,064	\$70,217	12.56%
Grants and contributions	1,618,486	1,590,922	27,564	1.73%
<b>General Revenues</b>				
Real property taxes and other tax items	55,744,917	54,517,184	1,227,733	2.25%
State sources	10,669,199	10,330,943	338,256	3.27%
Use of money and property	1,173,000	884,964	288,036	32.55%
Other	510,367	317,130	193,237	60.93%
<b>Total Revenues</b>	<b>\$70,345,250</b>	<b>\$68,200,207</b>	<b>\$2,145,043</b>	<b>3.15%</b>
<b>Expenses</b>				
General support	\$8,528,954	\$8,770,564	(\$241,610)	-2.75%
Instruction	59,545,111	59,904,386	(359,275)	-0.60%
Pupil transportation	3,472,265	3,233,377	238,888	7.39%
Debt service - interest	624,173	410,722	213,451	51.97%
Food service program	678,496	578,509	99,987	17.28%
Other	24,491	33,533	(9,042)	-26.96%
<b>Total Expenses</b>	<b>\$72,873,490</b>	<b>\$72,931,091</b>	<b>(\$57,601)</b>	<b>-0.08%</b>
<b>Total Change in Net Position</b>	<b>(\$2,528,240)</b>	<b>(\$4,730,884)</b>	<b>\$2,202,644</b>	<b>-46.56%</b>

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

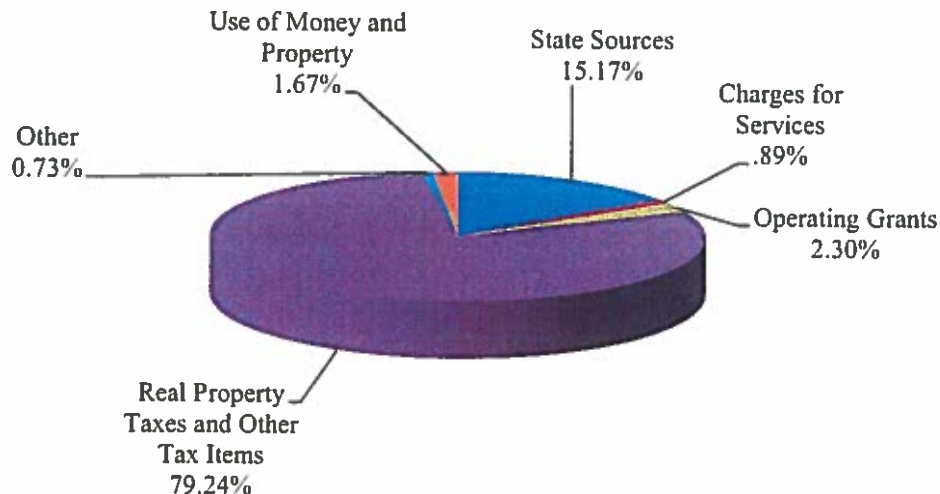
**EXHIBIT 1**

The District's fiscal year 2019 revenues totaled \$70,345,250. Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 79.24% and 15.17%, respectively of total revenue. The remainder came from fees charged for services, grants and contributions, use of money and property, and other miscellaneous sources. Total revenues increased by \$2,145,043 or 3.15%. This was primarily attributable to an increase in real property taxes and other tax items.

The cost of all programs and services totaled \$72,873,490 for fiscal year 2019. These expenses are predominantly related to instruction, which account for 81.71% of District expenses. The District's general support activities accounted for 11.70% of total costs. Total expenses decreased by \$57,601 or .08%, remaining fairly constant.

The users of the District's programs financed \$629,281 of the cost. The federal and state governments subsidized certain programs with grants and contributions of \$1,618,486 which represents a 1.73% increase from the prior year. Most of the District's net costs of \$70,625,723 were financed by District taxpayers and state sources.

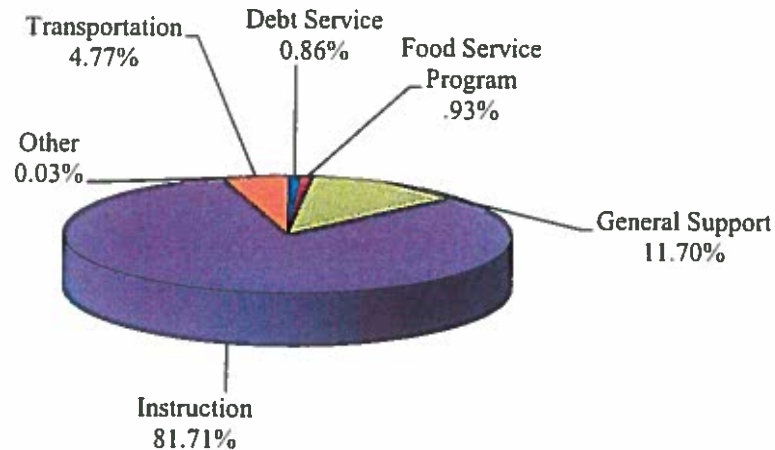
**Revenues for Fiscal Year 2019**



**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 1**

**Expenditures for Fiscal Year 2019**



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

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

As of June 30, 2019, the District's combined governmental funds reported a total fund balance deficit of (\$460,668) which is a decrease in total fund balance of \$6,016,836 from the prior year.

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 1**

A summary of the change in fund balance for all the funds is as follows:

	Fiscal Year 2019	Fiscal Year 2018*	Increase/ (Decrease)	Total Percentage Change
<b>General Fund</b>				
Restricted for retirement contribution	\$1,193,749	\$1,152,118	\$41,631	3.61%
Restricted for employee benefit accrued liability	666,197	791,502	(125,305)	-15.83%
Restricted for capital	-	2,812,227	(2,812,227)	-100.00%
Restricted for debt	14,647	14,136	511	3.61%
Restricted for tax certiorari	1,737,424	1,779,564	(42,140)	-2.37%
Assigned - general support	348,935	39,807	309,128	776.57%
Assigned - instruction	170,855	26,168	144,687	552.92%
Assigned - pupil transportation	6,201	11,454	(5,253)	-45.86%
Assigned-designated for subsequent year's expenditures	86,038	373,861	(287,823)	-76.99%
Unassigned	1,752,421	1,313,983	438,438	33.37%
Total Fund Balance - General Fund	<u>\$5,976,467</u>	<u>\$8,314,820</u>	<u>(\$2,338,353)</u>	-28.12%
<b>School Lunch Fund</b>				
Nonspendable	\$4,884	\$3,549	\$1,335	37.62%
Assigned - unappropriated	711,375	686,430	24,945	3.63%
Total Fund Balance - School Lunch Fund	<u>\$716,259</u>	<u>\$689,979</u>	<u>\$26,280</u>	3.81%
<b>Capital Projects Fund</b>				
Unassigned	<u>(\$7,343,828)</u>	<u>(\$3,616,920)</u>	<u>(\$3,726,908)</u>	-103.04%
Total Fund Balance - Capital Projects Fund	<u>(\$7,343,828)</u>	<u>(\$3,616,920)</u>	<u>(\$3,726,908)</u>	-103.04%
<b>Special Purpose Fund</b>				
Restricted	<u>\$190,434</u>	<u>\$168,289</u>	<u>\$22,145</u>	13.16%
Total Fund Balance - Special Purpose Fund	<u>\$190,434</u>	<u>\$168,289</u>	<u>\$22,145</u>	13.16%
Total Fund Balance - All Funds	<u>(\$460,668)</u>	<u>\$5,556,168</u>	<u>(\$6,016,836)</u>	-108.29%

\*As Restated for 2018, see Note 17

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 1**

**A) General Fund**

The net change in the general fund – fund balance is a decrease of \$2,338,353 as a result of revenues and other financing sources of \$69,092,040 exceeding expenditures and other financing uses of \$71,430,393. Revenues increased \$2,048,695 or 3.09% compared to the prior year, mostly due to the increase in real property taxes, and use of money and property.

Expenditures and other financing uses increased \$4,514,116 or 6.75% compared to the prior year. This was primarily due to increases in instruction expenses and employee benefits, as well as the increased interfund transfer to the capital projects fund for the appropriation of the capital reserve.

**B) School Lunch Fund**

The net change in the school lunch fund – fund balance is an increase of \$26,280. This increase is the operating profit for the current year.

**C) Capital Projects Fund**

The net change in the capital projects fund – fund balance is a decrease of \$3,726,908 bringing fund balance to a deficit of \$7,343,828. This decrease was due to an excess of expenditures over other financing sources. The capital projects fund received \$2,796,573 in general fund transfers from the capital reserve, as approved by the voters in May 2017, as well as \$65,000 to partially redeem the bond anticipation note on the Crooked Hill Administration building purchase. The capital projects fund also received \$3,335,000 in serial bond proceeds from the issuance of the bond for the Crooked Hill Administration building purchase. The capital projects fund had \$9,086,491 in capital outlay expenditures, and returned \$836,990 in unused funds back to the general fund. The deficit fund balance is due to capital work on the bond projects that were approved in May 2017, for which permanent financing has not been obtained yet.

**D) Special Purpose Fund**

The net change in the special purpose fund represents the amount by which interest and donations exceeded scholarships awarded in the current year.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A) 2018-2019 Budget:**

The District's general fund adopted budget for the fiscal year ended June 30, 2019 was \$68,078,176. This amount was increased by encumbrances carried forward from the prior year in the amount of \$77,429, and budget revisions of \$2,952,141, bringing the final budget to \$71,107,746. The majority of the funding was real property taxes and other tax items budget of \$55,709,443.

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 1**

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

The general fund unassigned fund balance is a component to total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and assignments to fund subsequent years' budgets. It is this balance that is commonly referred to as "Fund Balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

Opening, unassigned fund balance	\$1,313,983
Revenues and other financing sources over budget	1,587,725
Expenditures and other financing uses and encumbrances over budget	(848,638)
Transfers from reserves	15,654
Interest allocated to reserves	(125,967)
Appropriated reserves	(3,152,141)
Use of reserves	3,047,843
Assigned, appropriated for June 30, 2020 budget	(86,038)
Closing, unassigned fund balance	<u>\$1,752,421</u>

The opening unassigned fund balance of \$1,313,983 is the June 30, 2018 unassigned fund balance.

The revenues over budget of \$1,587,725 were primarily in use of money and property, as well as transfers from other funds. Refer to Supplemental Schedule #1 for more details.

The expenditures and encumbrances over budget of \$848,638 were primarily in instruction relating to teaching- regular school and programs for children with handicap conditions, as well as special items in general support. Refer to Supplemental Schedule #1 for more details.

The District transferred the remaining balance of \$15,564 from the expired capital reserve back to the unassigned fund balance.

Interest of \$125,967 was also allocated to the reserves as follows: \$41,631 to the retirement contribution reserve, \$23,234 to the employee benefit accrued liability reserve, \$511 to the debt service reserve, and \$60,591 to the tax certiorari reserve.

The District's 2018-2019 budget included \$200,000 of appropriated reserves. In addition, budget revisions were recorded for use of the employee benefit accrued liability reserve for \$52,836, for the use of the tax certiorari reserve for \$102,732, and to transfer from the capital reserve, in the general fund to the capital projects fund for \$2,796,573 to pay for related expenditures.

The District transferred \$2,796,573 from the capital reserve to the capital projects fund. In addition, \$148,538 of the employee benefit accrued liability and \$102,732 of the tax certiorari reserve were utilized to pay for related expenditures.



**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 1**

The assigned appropriated fund balance of \$86,038 for the June 30, 2020 budget is the amount the District has chosen to use to fund its operating budget for 2019-2020.

The District will close the 2018-2019 fiscal year with \$1,752,421 in unassigned fund balance. NYS Real Property Tax Law §1318 restricts this number to an amount not greater than 4% of the District's budget for the ensuing fiscal year. The District's unassigned fund balance is within the legal limit.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A) Capital Assets:**

The District paid for equipment, and various building additions and renovations during the fiscal year 2019. A summary of the District's capital assets net of depreciation are as follows:

**Capital Assets (Net of Depreciation)**

Category	Fiscal Year 2019	Fiscal Year 2018	Net Increase/ (Decrease)	Percentage Change
Land	\$963,800	\$963,800	\$ -	0.00%
Construction in Progress	3,958,052	3,046,465	911,587	29.92%
Improvements other than buildings	1,304,737	1,304,737	-	0.00%
Buildings & Improvements	71,277,947	63,103,038	8,174,909	12.95%
Machinery & Equipment	1,253,127	1,324,787	(71,660)	-5.41%
Subtotal	78,757,663	69,742,827	9,014,836	12.93%
Less: Accumulated Depreciation	29,372,927	28,321,470	1,051,457	3.71%
Total Net Capital Assets	\$49,384,736	\$41,421,357	\$7,963,379	19.23%

The District's capital outlay for the year was \$9,086,491 from the capital project fund and \$44,106 from the general fund. The District also disposed of various machinery and equipment with a net book value of zero, and recorded depreciation expense of \$1,167,218.

**B) Long-Term Debt:**

At June 30, 2019, the District had total debt payable of \$12,859,679. The increase in bonds payable represents the issuance of the new bond of \$3,335,000 partially offset by current year principal payments and amortization on the bond premiums. More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements. A summary of outstanding debt at June 30, 2019 and 2018 is as follows:

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 1**

	2019	2018	Increase (Decrease)
Bonds payable (inclusive of unamortized premium)	\$10,469,135	\$8,830,143	\$1,638,992
Energy performance contract debt	2,390,544	2,666,431	(275,887)
Total	<u>\$12,859,679</u>	<u>\$11,496,574</u>	<u>\$1,363,105</u>

**7. FACTORS BEARING ON THE DISTRICT'S FUTURE**

- A) The general fund budget for the 2019-20 school year in the amount of \$69,240,850 was approved by voters. This is an increase of \$1,162,674 or 1.71% over the previous year's budget and continues to preserve and advance various instructional programs.
- B) The NYS Legislature introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote.

**8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

Pearl River Union Free School District  
Attn: Ann Marie Tromer  
Assistant Superintendent for Business  
135 West Crooked Hill Road  
Pearl River, NY 10965  
(845)-620-3900

**PEARL RIVER UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

<b>ASSETS</b>	
Current assets	
Cash	
Unrestricted	\$12,633,024
Restricted	3,802,451
Receivables	
Accounts receivable	62,569
State and federal aid	646,534
Due from other governments	1,453,639
Due from fiduciary funds	2,691
Inventories	4,884
Capital assets	
Capital assets not being depreciated	4,921,852
Capital assets being depreciated, net of accumulated depreciation	44,462,884
Net pension asset - proportionate share - teachers' retirement system	3,074,673
<b>TOTAL ASSETS</b>	<b>71,065,201</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	17,151,423
Deferred charges on refundings	58,869
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>17,210,292</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>88,275,493</b>
<b>LIABILITIES</b>	
Payables	
Accounts payable	721,260
Accrued liabilities	3,900,336
Accrued interest payable	364,502
Due to fiduciary funds	918
Due to teachers' retirement system	3,157,216
Due to employees' retirement system	178,053
Compensated absences payable	162,410
Due to other governments	925,968
Note payable	
Bond anticipation note	10,000,000
Unearned credits	
Collections in advance	20,299
Long-term liabilities	
Due and payable within one year	
Bonds payable (inclusive of unamortized premiums)	1,836,936
Energy performance contract debt payable	285,249
Due and payable after one year	
Bonds payable (inclusive of unamortized premiums)	8,632,199
Energy performance contract debt payable	2,105,295
Compensated absences payable	1,147,765
Termination benefits payable	629,211
Total other post-employment benefits obligation	106,155,973
Net pension liability - proportionate share - employees' retirement system	1,066,606
<b>TOTAL LIABILITIES</b>	<b>141,290,196</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	4,467,036
Other post-employment benefits obligation	7,525,131
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>11,992,167</b>
<b>NET POSITION</b>	
Net investment in capital assets	27,048,926
Restricted	
Retirement contribution	1,193,749
Employee benefit accrued liability	666,197
Debt service	14,647
Tax certiorari	1,737,424
Special purpose	190,434
	3,802,451
Unrestricted (deficit)	(95,858,247)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>(\$65,006,870)</b>

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>FUNCTIONS / PROGRAMS</b>				
General support	(\$8,528,954)			(\$8,528,954)
Instruction	(59,545,111)	\$118,540	\$1,276,718	(58,149,853)
Pupil transportation	(3,472,265)		103,195	(3,369,070)
Debt service-interest	(624,173)			(624,173)
Food service program	(678,496)	510,741	192,789	25,034
Other	(24,491)		45,784	21,293
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<b>(\$72,873,490)</b>	<b>\$629,281</b>	<b>\$1,618,486</b>	<b>(70,625,723)</b>
 <b>GENERAL REVENUES</b>				
Real property taxes				50,080,596
Other tax items - including STAR reimbursement				5,664,321
Use of money and property				1,173,000
Sale of property and compensation for loss				575
Miscellaneous				436,476
State sources				10,669,199
Medicaid reimbursement				73,316
<b>TOTAL GENERAL REVENUES</b>				<b>68,097,483</b>
 <b>CHANGE IN NET POSITION</b>				<b>(2,528,240)</b>
 <b>TOTAL NET POSITION - BEGINNING OF YEAR AS RESTATED (SEE NOTE 17)</b>				<b>(62,478,630)</b>
 <b>TOTAL NET POSITION - END OF YEAR</b>				<b>(\$65,006,870)</b>

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Special Purpose</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash						
Unrestricted	\$11,731,341	\$20,464	\$696,466	\$184,753		\$12,633,024
Restricted	3,612,017				\$190,434	3,802,451
Receivables						
Accounts receivable	62,569					62,569
State and federal aid	316,221	317,058	13,255			646,534
Due from other governments	1,453,639					1,453,639
Due from other funds	282,150		22,045	2,796,573		3,100,768
Inventories			4,884			4,884
<b>TOTAL ASSETS</b>	<u>\$17,457,937</u>	<u>\$337,522</u>	<u>\$736,650</u>	<u>\$2,981,326</u>	<u>\$190,434</u>	<u>\$21,703,869</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Payables						
Accounts payable	\$422,810	\$58,064	\$34	\$240,352		\$721,260
Accrued liabilities	3,815,534			84,802		3,900,336
Due to other governments	925,910		58			925,968
Due to other funds	2,819,537	279,458				3,098,995
Due to teachers' retirement system	3,157,216					3,157,216
Due to employees' retirement system	178,053					178,053
Compensated absences payable	162,410					162,410
Note payable						
Bond anticipation note payable				10,000,000		10,000,000
Unearned credits						
Collections in advance			20,299			20,299
<b>TOTAL LIABILITIES</b>	<u>11,481,470</u>	<u>337,522</u>	<u>20,391</u>	<u>10,325,154</u>	<u>-</u>	<u>22,164,537</u>
<b>FUND BALANCES</b>						
Nonspendable: Inventory			4,884			4,884
Restricted						
Retirement contribution	1,193,749					1,193,749
Employee benefit accrued liability	666,197					666,197
Debt	14,647					14,647
Tax certiorari	1,737,424					1,737,424
Special purpose					\$190,434	190,434
Assigned						
Appropriated fund balance	86,038					86,038
Unappropriated fund balance	525,991		711,375			1,237,366
Unassigned	1,752,421			(7,343,828)		(5,591,407)
<b>TOTAL FUND BALANCES</b>	<u>5,976,467</u>	<u>-</u>	<u>716,259</u>	<u>(7,343,828)</u>	<u>190,434</u>	<u>(460,668)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$17,457,937</u>	<u>\$337,522</u>	<u>\$736,650</u>	<u>\$2,981,326</u>	<u>\$190,434</u>	<u>\$21,703,869</u>

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2019**

Total Governmental Fund Balances \$ (460,668)

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

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

Original cost of capital assets	\$78,757,663	
Accumulated depreciation	<u>(29,372,927)</u>	49,384,736

Governmental funds report the effect of discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Deferred charges on refundings	58,869
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Deferred inflows of resources - The Statement of Net Position recognizes revenues and expenditures under the full accrual method. Governmental funds recognize revenue and expenditures under the modified accrual method. These amounts will be amortized in future years.

Deferred inflows related to pensions	(4,467,036)
Deferred inflows related to other post-employment benefits	(7,525,131)

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

Deferred outflows related to pensions	17,151,423
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Certain disbursements previously expended in the governmental funds and invested with the pension system are treated as long term assets and increase net position. The teachers' retirement system pension asset - proportionate share amounted to:

3,074,673

Payables that are associated with certain short-term and long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to short and long-term liabilities at year end consisted of accrued interest payable of:

(364,502)

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

Bonds payable (inclusive of unamortized premiums)	(\$10,469,135)	
Energy performance contract debt payable	(2,390,544)	
Compensated absences payable	(1,147,765)	
Termination benefits payable	(629,211)	
Total other post-employment benefits obligation payable	(106,155,973)	
Net pension liability - proportionate share - employees' retirement system	<u>(1,066,606)</u>	<u>(121,859,234)</u>

Total Net Position	<u><u>(\$65,006,870)</u></u>
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**PEARL RIVER UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	General	Special Aid	School Lunch	Capital Projects	Special Purpose	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$50,080,596					\$50,080,596
Other tax items - including STAR reimbursement	5,664,321					5,664,321
Charges for services	118,540					118,540
Use of money and property	1,170,450		\$1,698		\$852	1,173,000
Sale of property and compensation for loss	575					575
Miscellaneous	436,476				45,784	482,260
State sources	10,669,199	\$467,885	7,898			11,144,982
Federal sources	73,316	912,028	157,381			1,142,725
Surplus food			27,510			27,510
Sales			510,741			510,741
<b>TOTAL REVENUES</b>	<b>68,213,473</b>	<b>1,379,913</b>	<b>705,228</b>	<b>-</b>	<b>46,636</b>	<b>70,345,250</b>
<b>EXPENDITURES</b>						
General support	6,568,488					6,568,488
Instruction	41,405,096	1,360,956				42,766,052
Pupil transportation	3,285,004	103,195				3,388,199
Employee benefits	14,906,209					14,906,209
Debt service - principal	1,970,887					1,970,887
Debt service - interest	411,790					411,790
Cost of sales			681,056			681,056
Other expenditures					24,491	24,491
Capital outlay				\$9,086,491		9,086,491
<b>TOTAL EXPENDITURES</b>	<b>68,547,474</b>	<b>1,464,151</b>	<b>681,056</b>	<b>9,086,491</b>	<b>24,491</b>	<b>79,803,663</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(334,001)</b>	<b>(84,238)</b>	<b>24,172</b>	<b>(9,086,491)</b>	<b>22,145</b>	<b>(9,458,413)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	836,990	84,238	2,108	2,796,573		3,719,909
Operating transfers (out)	(2,882,919)			(836,990)		(3,719,909)
BAN redeemed with appropriations				65,000		65,000
Premium on obligations	41,577					41,577
Proceeds from serial bonds				3,335,000		3,335,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,004,352)</b>	<b>84,238</b>	<b>2,108</b>	<b>5,359,583</b>	<b>-</b>	<b>3,441,577</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,338,353)</b>	<b>-</b>	<b>26,280</b>	<b>(3,726,908)</b>	<b>22,145</b>	<b>(6,016,836)</b>
<b>FUND BALANCES - BEGINNING OF YEAR AS RESTATED (SEE NOTE 17)</b>	<b>8,314,820</b>	<b>-</b>	<b>689,979</b>	<b>(3,616,920)</b>	<b>168,289</b>	<b>5,556,168</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$5,976,467</b>	<b>\$ -</b>	<b>\$716,259</b>	<b>(\$7,343,828)</b>	<b>\$190,434</b>	<b>(\$460,668)</b>

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances (\$6,016,836)

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating expenses are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used.

Decrease in compensated absences payable	213,177
Decrease in termination benefits payable	67,240

Changes in the proportionate share of net pension asset/liability, and total other post-employment benefits obligation and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' retirement system	\$678,922	
Employees' retirement system	(126,297)	
Other post-employment benefits obligation	<u>(\$3,624,752)</u>	(3,072,127)

Capital Related Items

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.

Capital outlays	\$9,130,597	
Depreciation expense	<u>(1,167,218)</u>	7,963,379

Long-Term Debt Transactions

Repayment of bond principal is an expenditure in the governmental funds, but it reduced long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	1,630,000
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Repayment of energy performance contract debt payable is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	275,887
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Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as it accrues. Accrued interest from June 30, 2018 to June 30, 2019 changed by	(298,800)
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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. The amount of amortization on bond premiums and deferred charges is:	86,417
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Proceeds from serial bonds and bond premiums are an other financing source in the governmental funds, but they increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.	<u>(3,376,577)</u>
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Change in Net Position	<u><u>(\$2,528,240)</u></u>
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**PEARL RIVER UNION FREE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUND  
JUNE 30, 2019**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$448,723
Due from governmental funds	<u>918</u>
<b>TOTAL ASSETS</b>	<u><u>\$449,641</u></u>
<b>LIABILITIES</b>	
Due to governmental funds	\$2,691
Extraclassroom activity balance	323,564
Other liabilities	<u>123,386</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$449,641</u></u>

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 9**

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:**

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

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

**A) Reporting entity:**

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

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

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

**i) Extraclassroom Activity Funds**

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

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**B) Joint venture:**

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

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

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

**C) Basis of presentation:**

**i) District-wide financial statements:**

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants and contributions include operating-specific and discretionary (either operating or capital) grants and contributions, while the capital grants and contributions include capital specific grants, if applicable.

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

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**ii) Fund financial statements:**

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

The District reports the following major governmental funds:

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

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

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

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

**Special Purpose Fund:** This fund is used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

The District reports the following fiduciary fund:

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

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

**D) Measurement focus and basis of accounting:**

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

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

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, net pension liability, and other post-employment benefits obligation, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**E) Real property taxes:**

i) Calendar

Real property taxes are levied annually by the Board of Education, and become a lien on July 1<sup>st</sup>. Taxes are collected by the Town of Orangetown and are remitted to the District September through October 31, after which collection responsibility is transferred to the County as discussed below.

ii) Enforcement

Uncollected real property taxes are subsequently enforced by Rockland County ("the County") in which the District is located. The County pays an amount representing uncollected real property taxes to the District no later than the following April 1<sup>st</sup>.

**F) Restricted resources:**

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

**G) Interfund transactions:**

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

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

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

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

**H) Estimates:**

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

**I) Cash and cash equivalents:**

The District's cash and cash equivalents consist of cash on hand and demand deposits.

**J) Receivables:**

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

**K) Inventories and prepaid items:**

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

Non-spendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures.

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Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and fund financial statements. These items are reported as assets on the Statement of Net Position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2019.

**L) Capital assets:**

Capital assets are reflected in the District-Wide Financial Statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the time received.

All capital assets, except land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds (the individual dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-Wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Improvements other than buildings	\$5,000	straight line	20 years
Buildings and improvements	\$5,000	straight line	50 years
Machinery and equipment	\$5,000	straight line	5-20 years

**M) Collections in advance:**

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. Collections in advance as of June 30, 2019 consisted of prepaid balances for meals in the school lunch fund.

**N) Deferred Outflows and Inflows of Resources:**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. These amounts are related to deferred charges on refundings and pensions reported on the District-Wide Statement of Net Position, and are detailed further in Notes 12 and 13, respectively.

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In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. These amounts are related to pensions and other post-employment benefits reported on the District-Wide Statement of Net Position, and are detailed further in Notes 13 and 15, respectively.

**O) Vested employee benefits:**

**Compensated absences:**

Compensated absences consist of unpaid accumulated annual vacation time and sick time.

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

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

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

**Termination benefits:**

Retirement incentive consist of eligible retirement incentive payments as specific in collective bargaining agreements. The liability is calculated in accordance with GASB Statement No. 47 *Accounting for Termination Benefits*. The liability is calculated on years of service plus rates in effect at year end.

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

**P) Other benefits:**

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



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District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Section 403(b) and 457.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payments). In the District-Wide Financials Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75.

**Q) Short-term debt:**

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

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue dated. Refer to Note 10 for more information on short term debt.

**R) Accrued liabilities and long-term obligations:**

Payables, accrued liabilities and long-term obligations are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Compensated absences, termination benefits payable, net pension liability, and other post-employment benefit obligations that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds, energy performance contract debt, and other long-term obligations that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

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

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**S) Equity classifications:**

**i) District-Wide Financial Statements:**

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

Net investment in capital assets consists of net capital assets (cost less accumulated depreciation) plus unamortized deferred charges on refunding, reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets, as well as the unamortized premiums on bonds.

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

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

**ii) Fund Financial Statements:**

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

- 1) **Non-spendable fund balance** – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$4,884.
- 2) **Restricted fund balance** – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has established the following as restricted:

**Retirement Contribution Reserve**

Retirement Contribution Reserve (GML§6-r), must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. In addition, a subfund of this reserve may also be created to allow for financing retirement contributions to the New York State Teachers' Retirement System. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. This reserve is accounted for in the general fund under restricted fund balance.

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**Employee Benefit Accrued Liability Reserve**

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

**Debt Service**

The unexpended balances of proceeds of borrowings for capital projects, interest and earning from investing proceeds of borrowings, and borrowing premiums can be recorded as amounts restricted for debt service. These restricted funds are accounted for in the general fund.

**Tax Certiorari**

Tax Certiorari reserve (EL§3651) must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the general fund under restricted fund balance.

**Special Purpose**

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

- 3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e. Board of Education). The District has no committed fund balances as of June 30, 2019.
- 4) **Assigned fund balance** – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.
- 5) **Unassigned fund balance** – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

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The unassigned deficit fund balance in the capital projects fund of (\$7,343,828) will be eliminated once permanent financing is obtained and New York State Smart Schools Bond Act funds are received.

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation.

**Order of Use of Fund Balance**

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

**T) Future changes in accounting standards:**

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

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

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

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

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

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

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

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

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

**(i) Long-term revenue and expense differences:**

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

**(ii) Capital related differences:**

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

**(iii) Long-term debt transaction differences:**

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

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**A) Budgets:**

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

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year

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unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations, if any, that occurred during the fiscal year are shown on the other supplemental information – schedule of change from adopted budget to final budget.

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

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

**B) Encumbrances:**

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

**NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:**

**A) Cash:**

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

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

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

All of the District's aggregate bank balances were covered by depository insurance or collateralized with securities held by the pledging financial institution in the District's name at year end.

**Restricted cash:**

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2019 included \$3,802,451 within the governmental funds for general reserve purposes, and special purpose scholarships.

**Investments:**

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

**NOTE 5 – PARTICIPATION IN BOCES:**

During the year, the District was billed \$10,183,829 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,460,972. Financial statements for the BOCES are available from the BOCES administrative office located at 65 Parrott Road, West Nyack, New York 10994.

**NOTE 6 – DUE FROM OTHER GOVERNMENTS:**

Due from other governments in the general fund at June 30, 2019 consisted of the following:

Health services billings	\$ 22,971
BOCES aid and refund of prior year surplus	<u>1,430,668</u>
Total due from other governments	<u><u>\$ 1,453,639</u></u>

District management has deemed these amounts to be fully collectible.

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**NOTE 7 – STATE AND FEDERAL AID RECEIVABLE:**

State and federal aid receivable at June 30, 2019 consisted of the following:

General Fund	
Excess cost aid	\$316,221
Total-General fund	<u>\$316,221</u>
Special Aid Fund	
Federal and state grants	\$317,058
Total-Special Aid Fund	<u>\$317,058</u>
School Lunch Fund	
Federal reimbursement - meals	\$12,625
State reimbursement - meals	630
Total School Lunch Fund	<u>\$13,255</u>
Total-All Funds	<u>\$646,534</u>

District management has deemed these amounts to be fully collectible.



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**NOTE 8 - CAPITAL ASSETS:**

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$963,800			\$963,800
Construction in progress	3,046,465	\$3,958,052	(\$3,046,465)	3,958,052
Total capital assets not being depreciated	4,010,265	3,958,052	(3,046,465)	4,921,852
Capital assets being depreciated:				
Improvements other than buildings	1,304,737			1,304,737
Buildings and improvements	63,103,038	5,128,444	3,046,465	71,277,947
Machinery and equipment	1,324,787	44,101	(115,761)	1,253,127
Total capital assets being depreciated	65,732,562	5,172,545	2,930,704	73,835,811
Less accumulated depreciation:				
Improvements other than buildings	1,213,226	18,302		1,231,528
Building and improvements	26,163,795	1,123,452		27,287,247
Machinery and equipment	944,449	25,464	(115,761)	854,152
Total accumulated depreciation	28,321,470	1,167,218	(115,761)	29,372,927
Total capital assets being depreciated, net	37,411,092	4,005,327	3,046,465	44,462,884
Total capital assets, net	\$41,421,357	\$7,963,379	\$ -	\$49,384,736

Depreciation expense was charged to governmental functions as follows:

Instruction	\$1,133,112
General support	11,220
Food service program	16,881
Transportation	6,005
Total depreciation expense	<u>\$1,167,218</u>

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**NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:**

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

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$282,150		\$836,990	\$2,882,919
Special aid fund		\$2,819,537	84,238	
School lunch fund	22,045	279,458	2,108	
Capital projects fund	2,796,573		2,796,573	836,990
Total government activities	3,100,768	3,098,995	3,719,909	3,719,909
Fiduciary fund	918	2,691		
Totals	<u>\$3,101,686</u>	<u>\$3,101,686</u>	<u>\$3,719,909</u>	<u>\$3,719,909</u>

The District typically transfers from the general fund to the special aid fund to fund the District's local share of summer school handicap expenses and state supported Section 4201 schools, as required by New York State Law. The District transferred from the general fund to the school lunch fund to cover the negative balances on students who owe money to the District for meals. The District typically transfers from the general fund to the capital projects fund to finance capital construction projects. The District transferred from the capital projects fund to the general fund to return unused funds on completed capital projects.

**NOTE 10 – SHORT-TERM LIABILITIES:**

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

	Issue Date	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	7/24/2018	7/24/2019	2.75%	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000
BAN	5/24/2018	5/24/2019	2.65%	3,400,000	-	3,400,000	-
Total				<u>\$ 3,400,000</u>	<u>\$ 10,000,000</u>	<u>\$ 3,400,000</u>	<u>\$ 10,000,000</u>

The BANs were issued to finance capital fund projects. The BAN issued on July 24, 2018 includes a premium of \$84,802 which will result in a net interest cost of \$190,198 to the District.

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**A) Short-Term Interest:**

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

	<u>Total</u>
Interest paid	\$90,100
Plus interest accrued in the current year	<u>255,139</u>
Total interest expense on short-term debt	<u><u>\$345,239</u></u>

**NOTE 11 – LONG-TERM LIABILITIES:**

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Bonds payable					
Construction bonds	\$7,710,000	\$3,335,000	(\$1,185,000)	\$9,860,000	\$1,335,000
Tax certiorari bonds	910,000		(445,000)	465,000	465,000
	<u>8,620,000</u>	<u>3,335,000</u>	<u>(1,630,000)</u>	<u>10,325,000</u>	<u>1,800,000</u>
Plus					
Unamortized premiums on bonds	210,143	41,577	(107,585)	144,135	36,936
	<u>8,830,143</u>	<u>3,376,577</u>	<u>(1,737,585)</u>	<u>10,469,135</u>	<u>1,836,936</u>
Other liabilities					
Energy performance contract debt payable	2,666,431		(275,887)	2,390,544	285,249
Compensated absences payable *	1,360,942	425,301	(638,478)	1,147,765	
Termination benefits payable *	696,451		(67,240)	629,211	
Total other post-employment benefits	109,998,551	7,878,005	(11,720,583)	106,155,973	
Net pension liability - proportionate share	481,486	1,369,477	(784,357)	1,066,606	
	<u>481,486</u>	<u>1,369,477</u>	<u>(784,357)</u>	<u>1,066,606</u>	
Total long-term liabilities	<u><u>\$124,034,004</u></u>	<u><u>\$13,049,360</u></u>	<u><u>(\$15,224,130)</u></u>	<u><u>\$121,859,234</u></u>	<u><u>\$2,122,185</u></u>

\*In the prior year, these balances were reported together as compensated absences.

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

In May 2019, the District issued \$3,335,000 in serial bonds, payable over 20 years and maturing in May 2039. This was issued pursuant to a bond resolution dated November 2010 for the acquisition of land,

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together with buildings and improvements thereon, as well as improvements to the Pearl River High School. This issuance completed the funding and the authorization for these projects.

**A) Bonds Payable:**

Bonds Payable is comprised of the following:

Description	Issue Date	Original Issue Amount	Final Maturity	Interest Rates	Outstanding at Year End
Construction	2008	\$7,660,000	September 2022	4.00-5.00%	\$2,585,000
Refunding Bonds - Tax Certiorari	2011	\$3,600,000	November 2019	4.00%	465,000
Refunding Bonds - Construction	2016	\$6,240,000	June 2025	2.00-5.00%	3,940,000
Construction	2019	\$3,335,000	May 2039	2.75-5.00%	3,335,000
					<u>\$10,325,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	\$1,800,000	\$300,023	\$2,100,023
2021	1,385,000	250,695	1,635,695
2022	1,435,000	206,198	1,641,198
2023	1,485,000	159,945	1,644,945
2024	815,000	126,345	941,345
2025-2029	1,445,000	408,560	1,853,560
2030-2034	890,000	268,405	1,158,405
2035-2039	1,070,000	113,403	1,183,403
	<u>\$10,325,000</u>	<u>\$1,833,574</u>	<u>\$12,158,574</u>

**Unissued Debt**

On May 16, 2017, voters approved a bond authorization for a total estimated cost not to exceed \$32,182,000 with \$3,182,000 of funding to come from the 2009 Capital Reserve to construct improvements and alterations to all buildings and/or sites. The District has not issued this debt as of June 30, 2019, leaving authorized but unissued long-term debt in the amount of \$29,000,000. The District has issued a bond anticipation note for \$10,000,000, which is outstanding at June 30, 2019 for interim financing of these projects.

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**B) Energy Performance Contract:**

Energy performance contract debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy performance	2011	10/15/2026	3.36%	<u>\$2,390,544</u>

The following is a summary of debt service requirements for the energy performance contract:

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	\$285,249	\$78,060	\$363,309
2021	294,928	63,381	358,309
2022	304,935	58,373	363,308
2023	315,282	48,026	363,308
2024	325,981	37,328	363,309
2025-2027	864,169	44,103	908,272
	<u>\$2,390,544</u>	<u>\$329,271</u>	<u>\$2,719,815</u>

**C) Long-Term Interest:**

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

	<u>Total</u>
Interest paid	\$321,690
Less interest accrued in the prior year	(65,702)
Plus interest accrued in the current year	109,363
Less amortization on premiums on bonds	(107,585)
Plus amortization of deferred charges on refundings	<u>21,168</u>
Total interest expense on long-term debt	<u>\$278,934</u>

**D) Premiums on Bonds:**

Premiums on bonds, net of amortization, are reported as a component of the related long-term liability, and amounted to \$144,135 at June 30, 2019. These premiums are being amortized using the straight-line method over the respective lives of the bonds. Amortization is recorded as a reduction in interest expense on the District-Wide Statement of Activities.

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**NOTE 12 – DEFERRED OUTFLOWS OF RESOURCES – DEFERRED CHARGES ON REFUNDINGS**

Deferred charges on refunding result from the difference in the carrying value of the refunded debt and its reacquisition price. The deferred charges pertaining to the 2010 bond refunding, and the 2015 bond refunded, as recorded in the District-Wide Financial Statements as deferred outflows of resources at June 30, 2019 consisted of the following:

	<u>2010 Refunding</u>	<u>2015 Refunding</u>	<u>Total</u>
Deferred charges	\$115,685	\$83,149	\$198,834
Accumulated amortization	(110,865)	(29,100)	(139,965)
Net deferred charges on refundings	<u>\$4,820</u>	<u>\$54,049</u>	<u>\$58,869</u>

These deferred charges on refundings are being amortized on the District-Wide Financial Statements using the straight-line method over 10 years, the time to maturity of the refunding bonds, at the point of refunding, and is recorded as an increase to interest expense on the District-Wide Statement of Activities.

**NOTE 13 – PENSION PLANS:**

**A) Plan Description and Benefits Provided:**

**i) Teachers' Retirement System**

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

**ii) Employees' Retirement System**

The District participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple –employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position

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of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP) which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany NY 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php).

**B) Funding Policies:**

The Systems are noncontributory, except as follows:

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

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31<sup>st</sup>. The

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District's average contribution rate for ERS' fiscal year ended March 31, 2019 was 15.8% of covered payroll.

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS. The District's contribution rate for the TRS' fiscal year ended June 30, 2019 was 10.62% of covered payroll.

	<u>NYSERS</u>	<u>NYSTRS</u>
2019	\$ 778,184	\$ 3,006,434
2018	\$ 812,014	\$ 2,714,278
2018	\$ 771,011	\$ 3,130,705

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

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Net pension asset/(liability)	\$ (1,066,606)	\$ 3,074,673
District's portion of the Plan's total		
net pension asset/(liability)	0.0150538%	0.170035%
Change in proportion since the prior		
measurement date	0.0001353%	0.001467%

For the year ended June 30, 2019, the District recognized pension expense (credit) of \$910,951 for ERS, and \$2,328,922 for TRS. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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	<u>Deferred Outflow of Resources</u>		<u>Deferred Inflow of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 210,037	\$ 2,297,678	\$ 71,599	\$ 416,199
Net difference between projected and actual earnings on pension plan investments	-	-	273,750	3,413,121
Changes of assumptions	268,101	10,747,998	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	439,357	3,765	12,627	279,740
District's contributions subsequent to the measurement date	178,053	3,006,434	-	-
	<u>\$ 1,095,548</u>	<u>\$ 16,055,875</u>	<u>\$ 357,976</u>	<u>\$ 4,109,060</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Fiscal year ended:		
2020	\$ 388,882	\$ 3,024,527
2021	(84,613)	2,035,075
2022	71,076	163,345
2023	184,174	2,027,831
2024	-	1,378,581
Thereafter	-	311,022
	<u>\$ 559,519</u>	<u>\$ 8,940,381</u>

**Actuarial Assumptions**

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

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	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.0%	7.25%
Salary scale	4.20%	4.72% - 1.90%
Cost of living adjustments	1.3% annually	1.5%, annually
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.50%	2.25%

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

For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

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<u>Valuation Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>April 1, 2018</u>		<u>June 30, 2017</u>	
<u>Asset type</u>	<u>Target</u> <u>Allocation</u>	<u>Long-term</u> <u>expected real</u> <u>rate of return</u>	<u>Target</u> <u>Allocation</u>	<u>Long-term</u> <u>expected real</u> <u>rate of return</u>
Domestic equity	36%	4.55%	33%	5.8%
International equity	14%	6.35%	16%	7.3%
Global equity			4%	6.7%
Private equity	10%	7.50%	8%	8.9%
Real estate	10%	5.55%	11%	4.9%
Absolute return strategies	2%	3.75%		
Opportunistic portfolio	3%	5.68%		
Real assets	3%	5.29%		
Bonds and mortgages	17%	1.31%		
Cash	1%	-0.25%		
Inflation-indexed bonds	4%	1.25%		
Domestic fixed income securities			16%	1.3%
Global fixed income securities			2%	0.9%
High-yield fixed income securities			1%	3.5%
Private debt			1%	6.8%
Real estate debt			7%	2.8%
Short-term			1%	0.3%
	<u>100%</u>		<u>100%</u>	

The expected real rate of return is net of the long-term inflation assumptions of 2.5% for ERS, and 2.3% for TRS.

**Discount Rate**

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<b>ERS</b>			
District's proportionate share of the net pension asset (liability)	<u>(\$4,663,374)</u>	<u>(\$1,066,606)</u>	<u>\$1,954,933</u>
	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<b>TRS</b>			
District's proportionate share of the net pension asset (liability)	<u>(\$21,123,503)</u>	<u>\$3,074,673</u>	<u>\$23,346,019</u>

**Pension Plan Fiduciary Net Position**

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

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Valuation date	April 1, 2018	June 30, 2017
Employers' total pension liability	\$ (189,803,429)	\$ (118,107,254)
Plan Net Position	182,718,124	119,915,518
Employers' net pension asset/(liability)	<u>\$ (7,085,305)</u>	<u>\$ 1,808,264</u>
Ratio of plan net position to the Employers' total pension asset/(liability)	96.27%	101.53%

**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS

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**EXHIBIT 9**

wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$178,053.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$3,157,216.

**NOTE 14 – OTHER RETIREMENT PLANS:**

**A) Tax Sheltered Annuities:**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2019, totaled \$483,792 and \$2,060,822 respectively.

**B) Deferred Compensation Plan:**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for eligible employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2019 totaled \$183,186.

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

**A) General Information about the OPEB Plan:**

**Plan Description**

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

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 9**

**Benefits Provided**

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute between 50% and 85% of premiums for retirees with individual coverage, and 43% to 75% for family coverage, and 0% of the premiums for surviving spouses, depending on the coverage selected and date of retirement. The District recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For fiscal year 2019, the District contributed an estimated \$2,834,218 to the Plan, including \$2,834,218 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the "pay as you go" method.

**Employees Covered by Benefit Terms**

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	352
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	345
	<u>697</u>

**B) Total OPEB Liability:**

The District's total OPEB liability of \$106,155,973 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date.

**Actuarial Assumptions and Other Inputs**

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

Inflation	2.60%
Discount rate	3.50%
Healthcare cost trend rates	7.50% decreasing to 4.5% over 7 years
Retirees' share of benefit-related costs	15% to 50% of projected health insurance premiums for retirees, 25% to 57% for family coverage, and 100% for surviving spouse

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

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 9**

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017. Mortality improvement was projected to the date of decrement using Scale MP-2017 (generational mortality).

The actuarial assumptions used in the July 1, 2017 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable. The Plan does not have credible date on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

**C) Changes in the Total OPEB Liability:**

	<b>Total OPEB Liability</b>
Balance at June 30, 2018	<u>\$ 109,998,551</u>
Changes for the fiscal year:	
Service cost	4,485,678
Interest	3,392,327
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(8,886,365)
Benefit payments	<u>(2,834,218)</u>
Net changes	<u>(3,842,578)</u>
Balance at June 30, 2019	<u><u>\$ 106,155,973</u></u>

There were no significant plan changes since the last valuation.

Changes in assumptions or other inputs include a change in the discount rate from 3.0% to 3.5%.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	<u>\$125,024,235</u>	<u>\$105,155,973</u>	<u>\$91,124,469</u>

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 9**

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current healthcare cost trend rates:

	1% Decrease (6.50% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.50% decreasing to 4.50%)	1% Increase (8.50% decreasing to 5.50%)
Total OPEB liability	<u>\$89,861,065</u>	<u>\$106,155,973</u>	<u>\$129,498,593</u>

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

For the fiscal year ended June 30, 2019, the District recognized OPEB expense (credit) of \$6,458,971. At June 30, 2019, the District reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 49,300
Changes of assumptions or other inputs		7,475,831
	<u>\$ -</u>	<u>\$ 7,525,131</u>

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

Fiscal Year ended June 30:	
2020	\$ (1,419,034)
2021	(1,419,034)
2022	(1,419,034)
2023	(1,419,034)
2024	(1,419,034)
Thereafter	(429,961)
	<u>\$ (7,525,131)</u>



**PEARL RIVER UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 9**

**NOTE 16- TERMINATION BENEFITS PAYABLE:**

The District offers a retirement incentive to certain administrators and teachers outlined in their employment contract. In general, administrators having served at least five (5) years employed by the District are entitled to a retirement incentive of their daily rate multiplied by a factor of thirty (30) to forty (40) dependent upon years of service. Teachers having been employed by the District for at least 10 years and have at least 55 years of age are entitled to an incentive of their daily rate multiplied by a factor of twenty (20) to forty (40) dependent upon years of service. The current value of incentive payments earned is \$629,211 and is recorded as a long-term liability on the Statement of Net Position.

**NOTE 17- RESTATEMENT OF NET POSITION AND FUND BALANCE:**

For the fiscal year ended June 30, 2019, the District reclassified certain accounts that had previously been recorded in the special purpose fund, a governmental fund, to the trust and agency fund, a fiduciary fund, as they did not meet the purpose or requirements of the special purpose fund. The District's beginning of year net position and fund balance have been restated as following:

	Net Position	Special Purpose Fund Fund Balance
Beginning of year balances, as previously stated	(\$62,469,714)	\$177,205
Reclassification of accounts in special purpose fund to fiduciary fund	(8,916)	(8,916)
Beginning of year balances, as restated	(\$62,478,630)	\$168,289

**NOTE 18 – RISK MANAGEMENT:**

**A) General:**

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

**B) Public Entity Risk Pool:**

The District and neighboring districts in Rockland County, New York, participate in the Rockland County Schools Cooperative Self-Insurance Plan for Workers' Compensation. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. The District has transferred all related risk to the Plan.

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 9**

**C) Self- Insured Plan:**

The District has established a self-insured plan for dental benefits up to \$2,500 per employee per year. Claims in excess of this amount are the responsibility of the employee. An administrator has been retained to manage this program. Expenditures for the fiscal year ended June 30, 2019 were \$555,234.

**NOTE 19 - TAX ABATEMENTS:**

The County of Rockland, under the authority of General Municipal Law Section 925-1, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the county. The District's property tax revenue was reduced by \$564,584 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$370,908 for these programs during the fiscal year.

**NOTE 20 – COMMITMENTS AND CONTINGENCIES:**

**A) Encumbrances:**

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2019, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General fund	
General support	\$348,935
Instruction	170,855
Transportation	6,201
	<u>\$525,991</u>
School lunch fund	
Food service program	<u>\$425,731</u>
Capital projects fund	
Capital projects	<u>\$1,473,393</u>

**B) Grants:**

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

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**EXHIBIT 9**

**C) Litigation:**

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

**NOTE 21 – SUBSEQUENT EVENTS:**

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the District through the date of this report and concluded the following subsequent event has occurred that would require disclosure in the notes to financial statements:

- On July 24, 2019 the District issued a bond anticipation note for \$16,500,000 to redeem the bond anticipation note of \$10,000,000 outstanding at June 30, 2019, for interim financing of projects in the capital projects fund. The \$16,500,000 note matures on July 24, 2020, with a stated interest rate of 2.25%, and a premium received of \$132,405.

## **SUPPLEMENTARY INFORMATION**

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$49,671,346	\$50,080,596	\$50,080,596	\$ -
Other real property tax items	6,038,097	5,628,847	5,664,321	35,474
Charges for services	100,000	100,000	118,540	18,540
Use of money & property	580,000	580,000	1,170,450	590,450
Sale of property and compensation for loss	-	-	575	575
Miscellaneous	331,000	331,000	436,476	105,476
<b>State Sources</b>				
Basic formula	7,336,838	7,336,838	5,396,889	(1,939,949)
Excess cost aid	-	-	1,862,980	1,862,980
Lottery aid	1,760,000	1,760,000	1,712,137	(47,863)
BOCES aid	1,460,034	1,460,034	1,460,972	938
Textbook aid	155,000	155,000	152,324	(2,676)
Computer software/hardware aid	45,000	45,000	66,960	21,960
Library A/V loan program aid	17,000	17,000	16,937	(63)
<b>Federal Sources</b>	<b>10,000</b>	<b>10,000</b>	<b>73,316</b>	<b>63,316</b>
<b>Other Financing Sources</b>				
Premium on obligations	-	-	41,577	41,577
Transfers from other funds	-	-	836,990	836,990
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>67,504,315</b>	<b>67,504,315</b>	<b>\$69,092,040</b>	<b>\$1,587,725</b>
<b>Appropriated Fund Balance</b>	<b>373,861</b>	<b>373,861</b>		
<b>Appropriated Reserves</b>	<b>277,429</b>	<b>3,229,570</b>		
<b>TOTAL REVENUES, OTHER FINANCING SOURCES &amp; APPROPRIATED FUND BALANCE &amp; RESERVES</b>	<b>\$68,155,605</b>	<b>\$71,107,746</b>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

PEARL RIVER UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$50,000	\$55,075	\$55,075	\$ -	\$ -
Central administration	386,157	381,921	381,667	254	-
Finance	734,367	724,326	708,373	\$15,953	-
Staff	553,226	521,428	492,691	8,737	20,000
Central services	4,207,661	4,454,742	4,165,351	305,579	(16,188)
Special items	665,000	681,011	765,331	18,412	(102,732)
Total general support	6,596,411	6,818,503	6,568,488	348,935	(98,920)
Instructional					
Instruction, admin. & improvement	2,322,497	2,240,102	2,240,102	-	-
Teaching - regular school	22,632,398	22,119,311	22,351,975	133,066	(365,730)
Programs for children with handicap conditions	10,034,141	10,457,592	10,845,908	-	(388,316)
Occupational education	225,000	663,080	663,080	-	-
Teaching special schools	17,000	25,006	25,006	-	-
Instructional media	2,204,074	2,099,206	2,060,006	35,878	3,322
Pupil services	3,086,250	3,221,936	3,219,019	1,911	1,006
Total instructional	40,521,360	40,826,233	41,405,096	170,855	(749,718)
Pupil transportation	3,386,793	3,291,205	3,285,004	6,201	-
Employee benefits	14,858,465	14,906,209	14,906,209	-	-
Debt service - principal	2,317,576	1,970,887	1,970,887	-	-
Debt service - interest		411,790	411,790	-	-
Total debt service	2,317,576	2,382,677	2,382,677	-	-
<b>TOTAL EXPENDITURES</b>	67,680,605	68,224,827	68,547,474	525,991	(848,638)
Other Financing Uses					
Transfers to other funds	475,000	2,882,919	2,882,919	-	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$68,155,605</b>	<b>\$71,107,746</b>	<b>71,430,393</b>	<b>\$525,991</b>	<b>(\$848,638)</b>
Net change in fund balances			(2,338,353)		
Fund balances - beginning of year			8,314,820		
Fund balances - end of year			<u>\$5,976,467</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE FISCAL YEAR ENDED JUNE 30,**

	<u>2019</u>	<u>2018</u>
<b>TOTAL OPEB LIABILITY</b>		
Service cost	\$ 4,485,678	\$ 4,355,027
Interest	3,392,327	3,243,854
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(66,300)
Changes of assumptions or other inputs	(8,886,365)	-
Benefit payments	<u>(2,834,218)</u>	<u>(2,595,718)</u>
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	(3,842,578)	4,936,863
<b>TOTAL OPEB LIABILITY - BEGINNING</b>	<u>109,998,551</u>	<u>105,061,688</u>
<b>TOTAL OPEB LIABILITY - ENDING</b>	<u><u>\$ 106,155,973</u></u>	<u><u>\$ 109,998,551</u></u>
 <b>COVERED-EMPLOYEE PAYROLL</b>	 \$ 32,906,300	 \$ 32,906,300
 <b>TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	 322.60%	 334.28%

**NOTES TO SCHEDULE:***Trust assets*

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

*Changes of assumptions*

Changes of assumptions or other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

2018	3.5%
2019	3.0%

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY) / ASSET  
FOR THE FISCAL YEARS ENDED JUNE 30, \***

NYSERS Pension Plan					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension (liability)	0.0150338%	0.0149185%	0.0143885%	0.0151633%	0.0151660%
District's proportionate share of the net pension (liability)	\$ (1,066,606)	\$ (481,486)	\$ (1,351,975)	\$ (2,433,745)	\$ (512,344)
District's covered payroll	\$ 5,298,232	\$ 5,367,848	\$ 5,091,904	\$ 4,946,282	\$ 5,083,095
District's proportionate share of the net pension (liability) as a percentage of its covered payroll	20.13%	-8.97%	26.55%	49.20%	10.08%
Plan fiduciary net position as a percentage of the total pension (liability)	96.27%	98.24%	94.70%	90.70%	97.95%

NYSTRS Pension Plan					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension (liability) / asset	0.1700350%	0.1685680%	0.1680000%	0.1656780%	0.1621970%
District's proportionate share of the net pension (liability) / asset	\$ 3,074,673	\$ 1,281,285	\$ (1,799,353)	\$ 17,208,666	\$ 18,067,777
District's covered payroll	\$ 27,696,716	\$ 26,712,500	\$ 25,924,133	\$ 24,887,085	\$ 24,164,140
District's proportionate share of the net pension (liability) / asset as a percentage of its covered payroll	11.10%	4.91%	6.94%	69.15%	74.77%
Plan fiduciary net position as a percentage of the total pension (liability) / asset	101.53%	100.66%	99.01%	110.46%	111.48%

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



**PEARL RIVER UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
FOR THE FISCAL YEARS ENDED JUNE 30,**

<b><u>NYSERS Pension Plan</u></b>					
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contribution	\$ 778,184	\$ 812,014	\$ 771,011	\$ 870,435	\$ 963,329
Contributions in relation to the contractually required contribution	<u>778,184</u>	<u>812,014</u>	<u>771,011</u>	<u>870,435</u>	<u>963,329</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,271,847	\$ 5,360,405	\$ 4,960,337	\$ 5,081,162	\$ 5,140,966
Contributions as a percentage of covered payroll	14.76%	15.15%	15.54%	17.13%	18.74%

<b><u>NYSTRS Pension Plan</u></b>					
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contribution	\$ 3,006,434	\$ 2,714,278	\$ 3,130,705	\$ 3,437,540	\$ 4,362,706
Contributions in relation to the contractually required contribution	<u>3,006,434</u>	<u>2,714,278</u>	<u>3,130,705</u>	<u>3,437,540</u>	<u>4,362,706</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 28,309,176	\$ 27,696,716	\$ 26,712,500	\$ 25,924,133	\$ 24,887,085
Contributions as a percentage of covered payroll	10.62%	9.80%	11.72%	13.26%	17.53%

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET -GENERAL FUND  
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget		\$68,078,176
Add: Prior year's encumbrances		<u>77,429</u>
Original Budget		68,155,605
Budget revisions:		
Use of employee benefit accrued liability reserve	\$52,836	
Use of capital reserve	2,796,573	
Use of tax certiorari reserve	<u>102,732</u>	<u>2,952,141</u>
Final Budget		<u><u>\$71,107,746</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2019-20 voter approved expenditure budget		<u><u>\$69,240,850</u></u>
Maximum allowed (4% of 2019-2020 budget)		<u><u>\$2,769,634</u></u>
General fund fund balance subject to Section 1318 of Real Property Tax Law		
Assigned fund balance	\$612,029	
Unassigned fund balance	<u>1,752,421</u>	
Total unrestricted fund balance		\$2,364,450
Less:		
Appropriated fund balance	86,038	
Encumbrances included in assigned fund balance	<u>525,991</u>	
Total adjustments		<u>612,029</u>
General fund fund balance subject to Section 1318 of Real Property Tax Law		<u><u>\$1,752,421</u></u>
Actual percentage		2.53%

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Project Name	SED Code	Total Authorized Budget	Expenditures		Unexpended Balance	Methods of Financing				Fund Balance June 30, 2019	
			Prior Years Expenses	Current Year Expenses		Total	Local Sources	Capital Reserve	Proceeds of Obligations		Slate Sources
Crooked Hill Administration Building	N/A	\$4,900,000	\$4,900,000	\$ -	\$ -	\$1,565,000	\$ -	\$3,335,000	\$ -	\$4,900,000	\$ -
Evans Park Elementary	0-002-012	1,666,385	85,695	1,593,760	(13,070)	-	699,143	-	-	699,143	(980,312) *
Lincoln Avenue Elementary	0-003-012	1,521,379	84,726	1,869,402	(432,749)	-	699,143	-	-	699,143	(1,254,985) *
Franklin Avenue Elementary	0-010-011	1,940,675	90,594	1,444,579	405,502	-	699,143	-	-	699,143	(836,030) *
Pearl River HS Field Project	0-009-022	4,492,328	739,577	3,001,310	751,441	301,754	1,084,571	-	-	1,386,325	(2,354,562) *
Pearl River Middle School	0-011-017	5,585,440	531,741	113,926	4,939,773	-	-	-	-	-	(645,667) *
Pearl River High School	0-009-023	11,937,240	208,758	399,260	11,329,222	-	-	-	-	-	(608,018) *
Pearl River HS Field Project Phase I	0-009-025	3,497,728	-	-	3,497,728	-	-	-	-	-	-
Press Box	7-015-002	180,000	-	-	180,000	-	-	-	-	-	-
Bathroom/Concession Building	7-020-001	1,070,141	-	-	1,070,141	-	-	-	-	-	-
Storage Building	2-019-001	290,684	-	-	290,684	-	-	-	-	-	-
Smart School Bond Project			-	664,254	(664,254)	-	-	-	-	-	(664,254) **
Transfer to general fund		836,990	-	836,990	-	836,990	-	-	-	836,990	-
Total All Projects		\$37,918,990	\$6,641,091	\$9,923,481	\$21,354,418	\$2,703,744	\$3,182,000	\$3,335,000	\$ -	\$9,220,744	(\$7,343,828)

\* Deficit fund balance will be eliminated once permanent financing is obtained by the issuance of bonds.

\*\* Deficit fund balance will be eliminated once funding from New York State Smart Schools Bond Act is obtained.

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
NET INVESTMENT IN CAPITAL ASSETS  
JUNE 30, 2019**

<b>Capital assets, net</b>		<b>\$49,384,736</b>
<b>Add: Unamortized deferred charges on refundings</b>		<b>58,869</b>
<b>Deduct:</b>		
Bond anticipation note payable	(\$10,000,000)	
Short-term portion of bonds payable (inclusive of unamortized premiums)	(1,836,936)	
Long-term portion of bonds payable (inclusive of unamortized premiums)	(8,632,199)	
Short-term portion of energy performance contract debt	(285,249)	
Long-term portion of energy performance contract debt	(2,105,295)	
Less: Tax certiorari bonds payable	<u>465,000</u>	<u>(22,394,679)</u>
 <b>Net investment in capital assets</b>		 <b><u>\$27,048,926</u></b>



**R.S. ABRAMS & CO., LLP**

*Accountants & Consultants for Over 75 years*

Robert S. Abrams  
(1926–2014)

Marianne E. Van Duyne, CPA  
Alexandria M. Battaglia, CPA

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education  
Pearl River Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of Pearl River Union Free School District, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Pearl River Union Free School District's basic financial statements, and have issued our report thereon dated September 24, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pearl River Union Free 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 Pearl River Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pearl River Union Free 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified a certain deficiency in internal control, described in the accompanying schedule of findings as #2019-001, that we consider to be a material weakness.

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## **Compliance and Other Matters**


As part of obtaining reasonable assurance about whether Pearl River Union Free 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item (#2019-001).

## **District's Response to Findings**

Pearl River Union Free School District's response to the findings identified in our audit is described in their corrective action plan. The Pearl River Union Free School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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



R.S. Abrams & Co., LLP  
Islandia, NY  
September 24, 2019

**PEARL RIVER UNION FREE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**FINANCIAL STATEMENT FINDING #2019-001**

**BUDGET MONITORING**

**Material Weakness**

<b><u>Criteria:</u></b>	To verify that the District properly established and enforced controls to monitor the voter approved budget.
<b><u>Condition:</u></b>	During our audit we noted the District overexpended their total budgeted appropriations by \$848,638, which is not permitted by Education Law, §1718.
<b><u>Cause:</u></b>	The District's budgeting practices have not been realistic or accurate.
<b><u>Effect:</u></b>	The District overspent its voter approved budget which is not permitted per Education Law, §1718.
<b><u>Recommendation:</u></b>	We recommend the District establish and enforce controls to monitor the budget more closely throughout the year and ensure the District is complying with all State Education rules and regulations. In addition, we recommend the District review their budgeting procedures to ensure that the revenue and expenditure budgets are an accurate and a realistic reflection of the District's needs and resources to fund the educational programs.
<b><u>Response:</u></b>	The District response is included in their corrective action plan.