

**City School District of New Rochelle, New York**

Financial Statements and  
Supplementary Information

Year Ended June 30, 2017



# City School District of New Rochelle, New York

## Table of Contents

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	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
District-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet – Governmental Funds	17
Reconciliation of Governmental Funds Balance Sheet to the District-Wide Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Aid Funds	23
Internal Service Fund	
Statement of Net Position	25
Statement of Revenues, Expenses and Changes in Net Position	26
Statement of Cash Flows	27
Statement of Assets and Liabilities - Fiduciary Fund	28
Notes to Financial Statements	29
Required Supplementary Information	
Other Post Employment Benefits	
Schedule of Funding Progress - Last Three Fiscal Years	61
New York State Teachers' Retirement System	
Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset)	62
Schedule of Contributions	63
New York State and Local Employees' Retirement System	
Schedule of the School District's Proportionate Share of the Net Pension Liability	64
Schedule of Contributions	65
Combining and Individual Fund Financial Statements and Schedules	
Major Governmental Funds	
General Fund	
Comparative Balance Sheet	66
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	67
Schedule of Revenues and Other Financing Sources Compared to Budget	69
Schedule of Expenditures and Other Financing Uses Compared to Budget	71
Special Aid Fund	
Comparative Balance Sheet	75
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	76

## City School District of New Rochelle, New York

### Table of Contents (Concluded)

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	<u>Page No.</u>
Capital Projects Fund	
Comparative Balance Sheet	78
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	79
Project-Length Schedule	80
Non-Major Governmental Funds	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	84
School Lunch Fund	
Comparative Balance Sheet	86
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	87
Public Library Fund	
Comparative Balance Sheet	88
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	89
Special Purpose Fund	
Comparative Balance Sheet	91
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	92
Debt Service Fund	
Comparative Balance Sheet	93
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	94
Internal Service Fund	
Comparative Statement of Net Position	95
Comparative Statement of Revenues, Expenses and Changes in Net Position	96
Comparative Statement of Cash Flows	97
Supplementary Information	
Analysis of Change from Adopted Budget to Final Budget	98
Section 1318 of Real Property Tax Law Limit Calculation	98
Schedule of Net Investment in Capital Assets	99
Federal Programs	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	100
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	102
Schedule of Expenditures of Federal Awards	104
Notes to Schedule of Expenditures of Federal Awards	105
Schedule of Findings and Questioned Costs	106
Summary Schedule of Prior Audit Findings	108

## **Independent Auditors' Report**

**The Board of Education of the  
City School District of New Rochelle, New York**

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

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

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Special Aid funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit for the year ended June 30, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* for the year ended June 30, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2017 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the School District as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated October 17, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended June 30, 2016 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2016 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

**PKF O'Connor Davies, LLP**

Harrison, New York

October 26, 2017

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# **City School District of New Rochelle, New York**

## **Management's Discussion and Analysis (MD&A)**

June 30, 2017

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### **Introduction**

Our discussion and analysis of the City School District of New Rochelle, New York's ("School District") financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. To enhance your understanding of the School District's financial performance, it should be read in conjunction with the basic financial statements that immediately follow this section.

### **Financial Highlights**

Key financial highlights for fiscal year 2016-2017 are as follows:

- The financial turnaround for the School District, which began in 2014-15, continued in fiscal year 2016-17.
- After a trend of structurally unbalanced budgets and diminishing levels of reserves, in 2014 Moody's Investor Services ("Moody's") assigned a negative outlook to the School District's credit rating. During 2014-15, the School District conducted a thorough review of fiscal operations and committed to restoring structural balance, reserves and enhancing its credit rating. Various efforts ensued and, in June 2016, the School District was provided with an opportunity to demonstrate actual results of its initiatives to Moody's. Moody's acknowledged the vast improvements and the negative outlook associated with the credit rating was removed. As a primary determinant of the interest rate that is paid on future debt obligations, the School District remains committed to closely monitor factors that could impact its rating. With the assistance of its fiscal advisor, the School District continues to develop and execute financial strategies that will foster the likeliness of future positive rating action.
- In 2016-17, a budget was prepared for the subsequent year that was balanced with a minimal appropriation of fund balance. Of note, with a 1.95% tax levy increase, this budget was constructed to operate within the parameters of the New York State Tax Cap legislation. Spending in this budget was increased 2.34% and investment in capital projects was increased by 6.6% to \$2.4 million. This budget was passed in May 2017 by 74% of the vote.
- In May 2016, by a vote of 71.60%, the voters also overwhelmingly approved a bond referendum authorizing the School District to issue \$106.5 million in serial bonds to finance District-Wide Improvements on all eleven district-owned buildings. Financing for the project commenced in 2016-17 when the School District competitively issued \$11.0 million in bond anticipation notes. A total of six bids were received and the bond anticipation notes were issued at a net interest cost of 0.81%. To limit interest expenditures, additional debt will be issued according to the expected cash flow needs of the project.
- The School District's General Fund reported unassigned fund balance at June 30, 2017 of \$10,353,243, an increase of \$226,777 from the amount reported at June 30, 2016. During 2014-15, the School District committed to restoring structural balance to fiscal operations. As such, operating budgets were constructed with realistic estimates and relied on either no or minimal appropriations of fund balance. In fact, both the 2015-16 and 2016-17 adopted budgets were balanced without the use of fund balance. As such, the surplus reported for 2016-17 is believed to be attributable to the School District's stringent fiscal practices. By limiting the use of fund balance, revenues match expenditures, efficient operations become more likely and the School District continues to progress. As noted above, relying on a minimal appropriation of fund balance, the 2017-18 adopted budget continues to conform to this strategy.

- New York State law limits the amount of unassigned fund balance that can be retained by the General Fund to 3.99% of the ensuing year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund noted above was at 4% and therefore within the statutory limit. As a point of reference, as recently as the fiscal year ended June 30, 2013, unassigned fund balance had declined to 1.57% of the subsequent year's budget.
- In addition to maximizing the amount allotted for unassigned fund balance, the School District also added a net \$5.8 million to its reserves. Although a form of fund balance, restricted funds can only be utilized for specific purposes, such as to fund future tax certiorari obligations. The restricted portion of the School District's fund balance began the fiscal year with a balance of \$6.6 million, which included \$6.4 million for tax certiorari claims and \$0.2 million for unemployment benefits. For 2016-17, the School District was able to raise its reserves by 88%. As of June 30, 2017, the total fund balance of the School District included amounts restricted for the following obligations; Tax Certiorari (to pay judgements and claims in tax certiorari proceedings per the New York State Real Property Tax Law), Retirement Contributions (to fund employer pension contributions to the New York State Employees' Retirement System), and Employee Benefit Accrued Liability (to pay accrued benefits due to employees upon termination of service for vacation, sick leave, personal leave, etc.).
- The School District, on behalf of the public library, renewed \$1,290,684 in outstanding bond anticipation notes previously issued for various improvements to the Public Library. As noted, the School District also issued \$11.0 million in original bond anticipation notes for the commencement of a district-wide capital improvement project. For the year, the School District retired approximately \$6.9 million of outstanding bonded indebtedness and \$936,270 in outstanding energy performance contract indebtedness.
- At June 30, 2017, the School District's governmental funds financial statement showed a combined ending fund balance of \$23,031,759, an increase of \$2,305,532 compared to the previous year. The net increase results primarily from a General Fund surplus that was partially offset by a negative net change in fund balance in the Capital Projects Fund of \$7,027,333, which largely represents capital expenditures from Phase I of the \$106.5 million bond which were financed with a bond anticipation note which is not recognized as revenue until converted to permanent financing.
- On the district-wide financial statements, the assets and deferred outflows of resources of the School District exceeded liabilities and deferred inflows of resources at the close of its most recent fiscal year by \$69,727,814. The district-wide financial statements must report certain items in accordance with the pronouncements of the Governmental Accounting Standards Board ("GASB"). The GASB is charged with developing the accounting rules that apply to governments, including school districts and BOCES. One of the most significant of these standards requires the School District to recognize the financial impact associated with other postemployment benefit ("OPEB") obligations under the provisions of GASB Statement No. 45. These obligations include any benefits provided to retirees, other than a pension, including health insurance, life insurance, vision, dental, etc. GASB Statement No. 45 established standards for accrual based measurement and recognition of OPEB expenses over periods that approximate employees' years of active service, as well as the required note disclosures. For the year ending June 30, 2017, the School District's OPEB obligations of \$72,358,375 are reflected as a liability on the district-wide Statement of Net Position and impacts the total net position calculation. More detailed information about the School District's OPEB obligations reported in accordance with the provisions of GASB Statement No. 45 is presented in note 3G in the notes to financial statements.
- The district-wide financial statements for the year ended June 30, 2017 are also significantly impacted by the provisions of GASB Statement No. 68. This pronouncement established accounting and financial reporting requirements associated with the School District's participation in the cost sharing multiple employer pension plans administered by the New York State and Local Employees' Retirement System ("ERS") and the New York State Teachers' Retirement System ("TRS"). Under these standards, cost-sharing employers are required to report in their district-wide financial statements

a net pension liability (asset), pension expense and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all of the municipalities and school districts in the plan. At June 30, 2017, the School District reported in its Statement of Net Position a liability of \$7,107,840 for its proportionate share of the ERS net pension liability and \$7,530,533 for its proportionate share of the TRS net pension liability. More detailed information about the School District's pension plan reporting in accordance with the provisions of GASB Statement No. 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in note 3G in the notes to financial statements.

- The School District's total net position, as reflected in the district-wide financial statements, decreased by \$2,332,274. While the increase of \$15,186,571 in the liability recorded for other post-employment benefit obligations recorded in accordance with GASB Statement No. 45 reduced net position, this amount was partially offset by the increase in the value of the School District's capital asset acquisitions.

### **Overview of the Financial Statements**

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

#### *District-Wide Financial Statements*

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

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

#### *Fund Financial Statements*

- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.
- *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements,

governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

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

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

#### *Notes to Financial Statements*

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

#### *Other Information*

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

## District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position. In the case of the City School District of New Rochelle, New York at the close of the current fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$69,727,814.

### Net Position

	June 30,	
	2017	2016
Current Assets	\$ 99,504,567	\$ 160,097,611
Capital Assets, net	112,317,742	107,973,397
<b>Total Assets</b>	<b>211,822,309</b>	<b>268,071,008</b>
 Deferred Outflows of Resources	 81,219,785	 29,478,879
Current Liabilities	70,678,788	59,886,872
Long-term Liabilities	148,947,317	138,774,698
<b>Total Liabilities</b>	<b>219,626,105</b>	<b>198,661,570</b>
 Deferred Inflows of Resources	 3,688,175	 26,828,229
<b>Net Position</b>		
Net Investment in Capital Assets	56,338,189	54,320,399
Restricted for		
Capital Projects	2,121,353	465,842
Tax Certiorari	8,205,053	6,446,882
Retirement System Contributions	2,500,000	-
Unemployment Benefits	166,614	166,448
Debt Service	919,947	772,567
Workers' Compensation Benefits	826,822	995,497
School Lunch	89,244	89,244
Special Purposes	432,435	466,140
Unrestricted	(1,871,843)	8,337,069
<b>Total Net Position</b>	<b>\$ 69,727,814</b>	<b>\$ 72,060,088</b>

By far, the largest component of the School District's net position (\$56,338,189) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Those assets subject to external restrictions listed above constitute \$15,261,468 of net position and are comprised of amounts set aside for specific purposes, i.e., payments of tax certioraris, debt service, workers' compensation, etc. The remaining balance represents an unrestricted net deficit of (\$1,871,843). Overall, the unrestricted net position decreased by \$10,208,912 from the prior year, primarily from the recording of the increase in the School District's OPEB obligations and its proportionate share of the net pension liability of TRS.

## Change in Net Position

	June 30,	
	2017	2016
<b>REVENUES</b>		
Program Revenues		
Charges for Services	\$ 5,643,314	\$ 6,254,735
Operating Grants and Contributions	12,612,196	14,007,510
Capital Grants and Contributions	1,844,153	9,013
Total Program Revenues	20,099,663	20,271,258
General Revenues		
Real Property Taxes	186,546,339	179,118,852
Other Tax Items	23,381,953	24,597,109
Non-Property Taxes	2,315,205	3,382,159
Unrestricted Use of Money and Property	164,261	71,808
Sale of Property and Compensation for Loss	4,264	51,069
Unrestricted State Aid	40,701,480	36,840,923
Miscellaneous	1,453,815	1,621,525
Total General Revenues	254,567,317	245,683,445
Total Revenues	274,666,980	265,954,703
<b>PROGRAM EXPENSES</b>		
General Support	30,877,722	38,390,729
Instruction	211,156,461	192,112,426
Pupil Transportation	12,384,826	12,435,767
Culture and Recreation	13,263,567	5,505,760
Community Services	14,261	823
Cost of Food Sales	7,368,414	3,445,709
Interest	1,934,003	2,134,588
Total Expenses	276,999,254	254,025,802
Change in Net Position	(2,332,274)	11,928,901
<b>NET POSITION</b>		
Beginning	72,060,088	60,131,187
Ending	\$ 69,727,814	\$ 72,060,088

The major changes were as follows:

Revenues:

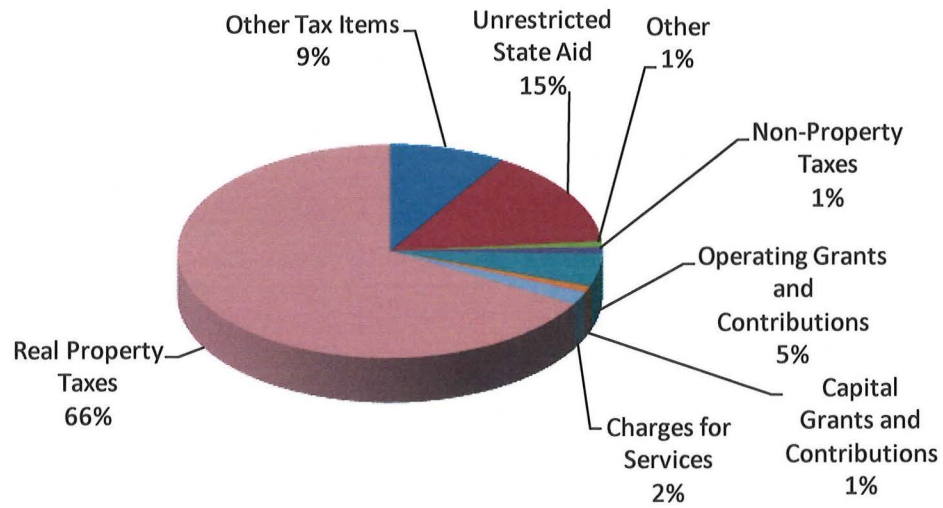
- Charges for services decreased by \$611,421. This was the result of an increase in the allowance for uncollectible amounts, given the increase in receivable balances in the current year from sending school districts for health and other services along with additional revenues derived from health services provided to students attending from other districts.
- Operating grants and contributions decreased by \$1,395,314 primarily from fewer grants received.
- Capital grants and contributions increased by \$1,835,140 primarily from funds received under the New York State Smarty Schools Bond Act program for technology enhancements.
- Real property taxes increased by \$7,427,487. This was the result of a higher tax levy of 1.11% and adjustments in the calculation for unpaid taxes yet to be remitted by the City of New Rochelle. The School District relies upon real property taxes as its primary revenue source.
- Other tax items decreased by \$1,215,156 primarily from a decrease in the share of the real property tax levy borne by New York State through the STAR program.
- Non-property taxes decreased by \$1,066,954 as a result of a drop in utility gross receipts tax revenues due to lower energy prices.
- Unrestricted State aid increased by \$3,860,557 from the prior year, primarily due to the increase in the allocation of the foundation formula aid from the State and the elimination of the Gap Elimination Adjustment.

Expenses:

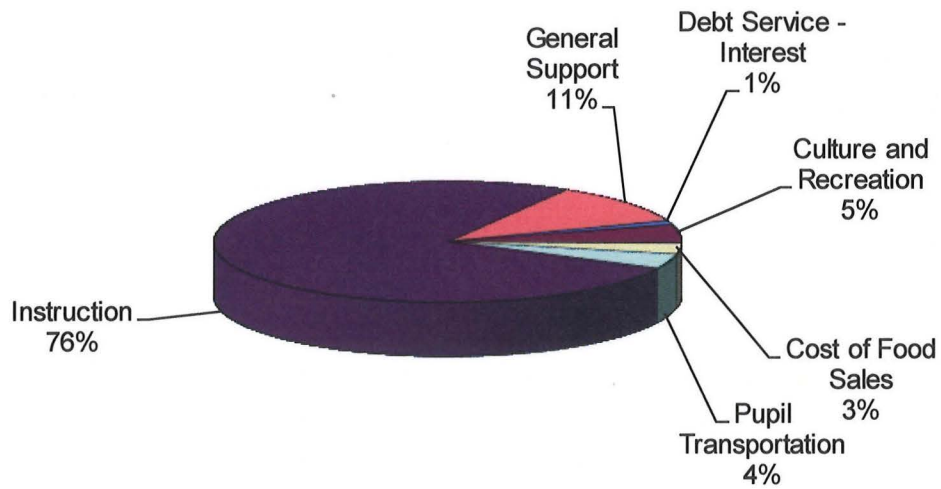
- General government support expenses at \$30,877,722 decreased from \$38,390,729 in 2015-16. The decrease was driven primarily by a decrease in tax certiorari claims, along with a decrease in the allocation of the OPEB obligation and employee benefits.
- Instruction expenses at \$211,156,461 increased from \$192,112,426 in 2015-16. The increase is primarily attributable to several factors. Contractual salary increases and increased special education costs are one factor. The increase in the TRS net pension obligation calculated in accordance with GASB Statement No. 68 increased these expenses by approximately \$18 million.

The following graphs depict where the School District revenues were derived and how monies were spent. As you can see, the School District relies upon real property taxes (68%) as its primary revenue source, while the School District's largest expense, instruction costs, account for 76% of total expenses.

### Sources of Revenue for Fiscal Year 2017 Governmental Activities



### Expenses for Fiscal Year 2017 Governmental Activities





## Financial Analysis of the School District's Funds

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

### *Fund Balance Reporting*

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

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

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

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

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

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

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

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

### *Governmental Funds*

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

As of the end of the current fiscal year, the School District's governmental funds reported combined fund balances of \$23,031,759, an increase of \$2,305,532 from the prior year. Exclusive of the Capital Projects Fund, total fund balance aggregates \$30,441,111. Of this amount, \$191,889 is in nonspendable form (\$173,203 for prepaid expenditures and \$18,686 for inventories) while \$13,449,049 is restricted for various purposes (\$8,205,053 for tax certiorari obligations, \$166,614 for unemployment benefit purposes, \$2,500,000 for retirement system contributions, \$1,500,000 for employee benefit accrued liabilities,

\$644,947 for debt service purposes and \$432,435 for special purposes). Another \$6,446,930 of the total fund balance is assigned to fund purchases on order (\$4,761,135), to be used for the subsequent year's budget (\$533,820 from the General Fund and \$275,000 from the Debt Service Fund), to be set aside for School Lunch Fund purposes (\$70,558) and Public Library Fund purposes (\$806,417). The remainder of the total fund balance of \$10,353,243 represents unassigned fund balance in the General Fund, which is available for use at the School District's discretion.

The General Fund is the primary operating fund of the School District. At the end of the current fiscal year, the total fund balance of the General Fund was \$28,019,865. This represents an increase of \$9,170,994 from the prior year, most of it derived from savings on the expenditure side of the budget, in particular instructional costs and central services. As noted earlier, the amount of the unassigned fund balance is within the State's maximum limit of 4% of the ensuing year's budget.

More detailed information about the School District's governmental fund balances is presented in note 3J in the notes to financial statements.

### **General Fund Budgetary Highlights – 2016-2017**

The original, voter approved adopted budget of \$253,685,636 was increased by \$2,109,075 as a result of the rollover of prior year encumbrances for a total original budget of \$255,794,711. The budget was further revised during the 2016-17 fiscal year by a total of \$988,893 (from the appropriation of fund balance from the tax certiorari restriction to fund claims. As a result, the final budget totaled \$256,793,604.

Revenues and other financing sources bettered budgetary expectations by \$1,519,659. Real property taxes were \$2,467,919 better than anticipated due to greater collections of prior year taxes. Interest and penalties were also better than anticipated by \$634,398. Day school tuition from third parties exceeded budgetary estimates by \$409,610 while State aid came in \$1,036,526 better than expected. These positive results were partially offset by less than expected revenues from payments in lieu of taxes in the amount of \$936,929. The School District also elected not to transfer from the Debt Service Fund the \$275,000 that had been budgeted to offset debt service obligations.

Expenditures and other financing uses reflect a positive variance of \$5,998,168, or 2.34%, of the final budget with savings primarily generated in the areas of central services and instruction. The final budget anticipated utilizing \$3,107,968 of fund balance. Actual results of operations did not utilize any of these funds but actually added \$9,170,994. Consequently, the total budget surplus was \$7,517,827.

### **Capital Assets**

As of June 30, 2017, the School District had \$112,317,742 net of accumulated depreciation invested in a broad range of capital assets, including land, construction-in-progress, buildings and improvements, as well as machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below.

Class	June 30,	
	2017	2016
Land	\$ 176,500	\$ 176,500
Construction-in-Progress	9,667,585	428,883
Buildings and Improvements	102,166,712	107,166,115
Machinery and Equipment	306,945	201,899
Total Capital Assets, net of accumulated depreciation	<u>\$ 112,317,742</u>	<u>\$ 107,973,397</u>

The increase in capital assets during the current fiscal year results from capital outlay for the commencement of the \$106 million District-Wide Improvements project and the Smart Schools Bond Act project.

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

### **Long-Term Debt**

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

	June 30,	
	2017	2016
Bonds Payable	\$ 41,111,181	\$ 48,469,996
Energy Performance Contract		
Debt Payable	12,541,691	13,477,961
Claims Payable	2,426,216	2,257,282
Compensated Absences	5,871,481	4,731,962
Net Pension Liability	14,638,373	12,665,693
Other Post Employment		
Benefit Obligations Payable	72,358,375	57,171,804
<b>Total</b>	<b>\$ 148,947,317</b>	<b>\$ 138,774,698</b>

The claims payable amount includes workers' compensation claims that will become payable over the next few years. The School District retired \$6,880,000 in outstanding long-term bonded indebtedness and \$936,270 of energy performance contract obligations during the year. While the School District's net pension liability to ERS recorded in accordance with the provisions of GASB Statement No. 68 decreased by \$5,557,853 due to strong stock market performances for the fund, the TRS net pension liability increased by \$7,530,533 primarily due to a drop in the discount rate assumption utilized by the system from 8.0% to 7.5%. The liability for other postemployment benefit obligations will continue to grow as the School District is permitted at this time by New York State only to fund its pay-as-you-go obligations.

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

### **Requests for Information**

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

City School District of New Rochelle  
Mr. Jeffrey T. White, CPA  
Assistant Superintendent for Business and Administration  
City Hall, 515 North Avenue  
New Rochelle, New York 10801

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City School District of New Rochelle, New York

Statement of Net Position

June 30, 2017

	Governmental Activities
<b>ASSETS</b>	
Cash and equivalents	\$ 42,633,748
Receivables	
Taxes	3,987,781
Accounts	30,262,889
State and Federal aid	9,089,482
Due from other governments, net	13,338,778
Inventories	18,686
Prepaid expenses	173,203
Capital assets	
Not being depreciated	9,844,085
Being depreciated, net	102,473,657
Total Assets	211,822,309
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	81,219,785
<b>LIABILITIES</b>	
Accounts payable	31,389,742
Accrued liabilities	10,708,270
Bond anticipation notes payable	12,290,684
Due to other governments	994,367
Due to retirement systems	14,940,357
Unearned revenues	103,841
Accrued interest payable	251,527
Non-current liabilities	
Due within one year	9,644,451
Due in more than one year	139,302,866
Total Liabilities	219,626,105
<b>DEFERRED INFLOWS OF RESOURCES</b>	3,688,175
<b>NET POSITION</b>	
Net investment in capital assets	56,338,189
Restricted	
Capital projects	2,121,353
Tax certiorari	8,205,053
Retirement system contributions	2,500,000
Unemployment benefits	166,614
Debt service	919,947
Workers' compensation benefits	826,822
School lunch	89,244
Special purposes	432,435
Unrestricted	(1,871,843)
Total Net Position	\$ 69,727,814

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

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**City School District of New Rochelle, New York**

Statement of Activities  
Year Ended June 30, 2017

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General support	\$ 30,877,722	\$ 112,364	\$ 6,613	\$ -	\$ (30,758,745)
Instruction	211,156,461	4,782,465	10,211,020	1,507,179	(194,655,797)
Pupil transportation	12,384,826	-	-	-	(12,384,826)
Culture and recreation	13,263,567	56,171	115,500	188,739	(12,903,157)
Community services	14,261	-	-	-	(14,261)
Cost of food sales	7,368,414	692,314	2,279,063	-	(4,397,037)
Interest	1,934,003	-	-	148,235	(1,785,768)
<b>Total Governmental Activities</b>	<b>\$ 276,999,254</b>	<b>\$ 5,643,314</b>	<b>\$ 12,612,196</b>	<b>\$ 1,844,153</b>	<b>(256,899,591)</b>
General revenues					
Real property taxes					186,546,339
Other tax items					
School tax relief reimbursement					21,051,215
Payments in lieu of taxes					1,296,340
Interest and penalties on real property taxes					1,034,398
Non-property taxes					
Utility gross receipts tax					2,315,205
Unrestricted use of money and property					164,261
Sale of property and compensation for loss					4,264
Unrestricted State aid					40,701,480
Miscellaneous					1,453,815
<b>Total General Revenues</b>					<b>254,567,317</b>
<b>Change in Net Position</b>					<b>(2,332,274)</b>
<b>Net Position - Beginning</b>					<b>72,060,088</b>
<b>Net Position - Ending</b>					<b>\$ 69,727,814</b>

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

**City School District of New Rochelle, New York**

Balance Sheet  
Governmental Funds  
June 30, 2017

	General	Special Aid	Capital Projects
<b>ASSETS</b>			
Cash and equivalents	\$ 35,789,640	\$ 961,675	\$ 2,807,626
Receivables			
Taxes	3,987,781	-	-
Accounts	30,209,454	-	-
State and Federal aid	5,246,517	3,427,288	406,328
Due from other governments, net	13,338,778	-	-
Due from other funds	21,049	15,724,253	3,018,279
Inventories	-	-	-
Prepaid expenditures	-	-	-
Total Assets	<u>\$ 88,593,219</u>	<u>\$ 20,113,216</u>	<u>\$ 6,232,233</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>			
Liabilities			
Accounts payable	\$ 9,721,250	\$ 19,691,468	\$ 954,054
Accrued liabilities	10,207,601	361,095	-
Bond anticipation notes	-	-	12,290,684
Due to other funds	22,005,817	-	396,847
Due to other governments	994,367	-	-
Due to retirement systems	14,851,810	-	-
Unearned revenues	-	60,653	-
Total Liabilities	57,780,845	20,113,216	13,641,585
Deferred inflows of resources			
Deferred tax revenues	<u>2,792,509</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>60,573,354</u>	<u>20,113,216</u>	<u>13,641,585</u>
Fund balances (deficits)			
Nonspendable	-	-	-
Restricted	12,371,667	-	-
Assigned	5,294,955	-	-
Unassigned	<u>10,353,243</u>	<u>-</u>	<u>(7,409,352)</u>
Total Fund Balances (Deficits)	<u>28,019,865</u>	<u>-</u>	<u>(7,409,352)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 88,593,219</u>	<u>\$ 20,113,216</u>	<u>\$ 6,232,233</u>

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



<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ 2,624,094	\$ 42,183,035
-	3,987,781
53,435	30,262,889
9,349	9,089,482
-	13,338,778
1,337,692	20,101,273
18,686	18,686
173,203	173,203
<u>\$ 4,216,459</u>	<u>\$ 119,155,127</u>
\$ 1,022,970	\$ 31,389,742
139,574	10,708,270
-	12,290,684
500,934	22,903,598
-	994,367
88,547	14,940,357
43,188	103,841
<u>1,795,213</u>	<u>93,330,859</u>
-	2,792,509
<u>1,795,213</u>	<u>96,123,368</u>
191,889	191,889
1,077,382	13,449,049
1,151,975	6,446,930
-	2,943,891
<u>2,421,246</u>	<u>23,031,759</u>
<u>\$ 4,216,459</u>	<u>\$ 119,155,127</u>

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**City School District of New Rochelle, New York**

Reconciliation of Governmental Funds Balance Sheet to  
the District-Wide Statement of Net Position  
June 30, 2017

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Fund Balances - Total Governmental Funds	\$ 23,031,759
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Amounts Reported for Governmental Activities in the Statement of Net  
Position are Different Because

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	112,317,742
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Governmental funds do not report the effect of losses on refunding  
bonds and assets or liabilities related to net pension assets (liabilities)  
whereas these amounts are deferred and amortized in the  
statement of activities.

Deferred amounts on refunding bonds	1,319,024
Deferred amounts on net pension assets (liabilities)	76,212,586

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77,531,610

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Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the funds.

Real property taxes	2,792,509
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Internal service funds are used by management to charge the costs of  
workers' compensation benefits to individual funds. The assets and  
liabilities of the internal service funds are included in governmental  
activities in the statement of net position.

826,822

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Long-term liabilities that are not due and payable in the current  
period are not reported in the funds.

Accrued interest payable	(251,527)
Bonds payable	(41,111,181)
Energy performance contract payable	(12,541,691)
Compensated absences	(5,871,481)
Net pension liability	(14,638,373)
Other post employment benefit obligations payable	(72,358,375)

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(146,772,628)

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Net Position of Governmental Activities	\$ 69,727,814
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The notes to financial statements are an integral part of this statement.

**City School District of New Rochelle, New York**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2017

	General	Special Aid	Capital Projects
<b>REVENUES</b>			
Real property taxes	\$ 181,859,514	\$ -	\$ -
Other tax items	23,348,684	-	-
Non-property taxes	2,315,205	-	-
Charges for services	3,693,753	-	-
Use of money and property	282,981	-	-
Sale of property and compensation for loss	4,264	-	-
State aid	42,064,520	2,663,408	1,695,918
Federal aid	182,559	5,373,069	-
Food sales	-	-	-
Miscellaneous	1,453,815	626,431	-
Total Revenues	<u>255,205,295</u>	<u>8,662,908</u>	<u>1,695,918</u>
<b>EXPENDITURES</b>			
Current			
General support	27,361,991	-	-
Instruction	138,709,289	9,758,175	-
Pupil transportation	11,127,008	-	-
Culture and recreation	-	-	-
Community services	14,261	-	-
Employee benefits	55,361,602	-	-
Cost of food sales	-	-	-
Debt service			
Principal	7,746,270	-	-
Interest	1,967,632	-	-
Capital outlay	-	-	11,030,152
Total Expenditures	<u>242,288,053</u>	<u>9,758,175</u>	<u>11,030,152</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>12,917,242</u>	<u>(1,095,267)</u>	<u>(9,334,234)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	1,095,267	2,306,901
Transfers out	(3,746,248)	-	-
Total Other Financing Sources (Uses)	<u>(3,746,248)</u>	<u>1,095,267</u>	<u>2,306,901</u>
Net Change in Fund Balances	9,170,994	-	(7,027,333)
<b>FUND BALANCES (DEFICITS)</b>			
Beginning of Year	<u>18,848,871</u>	<u>-</u>	<u>(382,019)</u>
End of Year	<u>\$ 28,019,865</u>	<u>\$ -</u>	<u>\$ (7,409,352)</u>

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

Non-Major Governmental	Total Governmental Funds
\$ 4,916,352	\$ 186,775,866
33,269	23,381,953
-	2,315,205
56,171	3,749,924
157,318	440,299
-	4,264
97,827	46,521,673
2,214,119	7,769,747
692,314	692,314
76,047	2,156,293
8,243,417	273,807,538
-	27,361,991
15,163	148,482,627
-	11,127,008
4,924,783	4,924,783
-	14,261
-	55,361,602
3,339,773	3,339,773
70,000	7,816,270
75,907	2,043,539
-	11,030,152
8,425,626	271,502,006
(182,209)	2,305,532
368,396	3,770,564
(24,316)	(3,770,564)
344,080	-
161,871	2,305,532
2,259,375	20,726,227
\$ 2,421,246	\$ 23,031,759

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**City School District of New Rochelle, New York**

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2017

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

Net Change in Fund Balances - Total Governmental Funds	\$ 2,305,532
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures	11,200,808
Depreciation expense	(6,856,463)
	<u>4,344,345</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes	<u>(229,527)</u>
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized on the statement of activities.	
Principal paid on bonds	6,880,000
Principal paid on energy performance contract debt	936,270
Amortization of loss on refunding bonds and issuance premium	<u>103,474</u>
	<u>7,919,744</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	6,062
Compensated absences	(1,139,519)
Pension assets (liability)	(183,665)
Other post employment benefit obligations	<u>(15,186,571)</u>
	<u>(16,503,693)</u>
The net revenue of activities of the Internal Service Fund is reported within the governmental activities	<u>(168,675)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (2,332,274)</u></u>

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

**City School District of New Rochelle, New York**

Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
General and Special Aid Funds  
Year Ended June 30, 2017

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Real property taxes	\$ 179,391,595	\$ 179,391,595	\$ 181,859,514	\$ 2,467,919
Other tax items	23,651,215	23,651,215	23,348,684	(302,531)
Non-property taxes	3,375,000	3,375,000	2,315,205	(1,059,795)
Charges for services	3,025,000	3,025,000	3,693,753	668,753
Use of money and property	210,000	210,000	282,981	72,981
Sale of property and compensation for loss	81,000	81,000	4,264	(76,736)
State aid	41,027,994	41,027,994	42,064,520	1,036,526
Federal aid	400,000	400,000	182,559	(217,441)
Miscellaneous	2,248,832	2,248,832	1,453,815	(795,017)
<b>Total Revenues</b>	<b>253,410,636</b>	<b>253,410,636</b>	<b>255,205,295</b>	<b>1,794,659</b>
<b>EXPENDITURES</b>				
Current				
General support	29,435,504	31,433,305	27,361,991	4,071,314
Instruction	142,192,135	143,642,516	138,709,289	4,933,227
Pupil transportation	13,387,512	12,146,076	11,127,008	1,019,068
Community services	2,469	16,469	14,261	2,208
Employee benefits	56,920,020	55,964,503	55,361,602	602,901
Debt service				
Principal	7,746,270	7,746,270	7,746,270	-
Interest	2,040,386	2,040,386	1,967,632	72,754
<b>Total Expenditures</b>	<b>251,724,296</b>	<b>252,989,525</b>	<b>242,288,053</b>	<b>10,701,472</b>
Excess (Deficiency) of Revenues Over Expenditures	1,686,340	421,111	12,917,242	12,496,131
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	275,000	275,000	-	(275,000)
Transfers out	(4,070,415)	(3,804,079)	(3,746,248)	57,831
<b>Total Other Financing Sources (Uses)</b>	<b>(3,795,415)</b>	<b>(3,529,079)</b>	<b>(3,746,248)</b>	<b>(217,169)</b>
<b>Net Change in Fund Balances</b>	<b>(2,109,075)</b>	<b>(3,107,968)</b>	<b>9,170,994</b>	<b>12,278,962</b>
<b>FUND BALANCES</b>				
Beginning of Year	2,109,075	3,107,968	18,848,871	15,740,903
End of Year	\$ -	\$ -	\$ 28,019,865	\$ 28,019,865

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



Special Aid Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,294,324	3,526,318	2,663,408	(862,910)
6,041,296	6,780,712	5,373,069	(1,407,643)
970,633	858,789	626,431	(232,358)
10,306,253	11,165,819	8,662,908	(2,502,911)
-	-	-	-
12,036,253	12,261,087	9,758,175	2,502,912
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
12,036,253	12,261,087	9,758,175	2,502,912
(1,730,000)	(1,095,268)	(1,095,267)	1
1,730,000	1,095,268	1,095,267	(1)
-	-	-	-
1,730,000	1,095,268	1,095,267	(1)
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

**City School District of New Rochelle, New York**

**Internal Service Fund - Workers' Compensation Benefits**

**Statement of Net Position**

**June 30, 2017**

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**ASSETS**

Cash and equivalents	\$ 450,713
Due from other funds	<u>2,802,325</u>
Total Assets	<u>3,253,038</u>

**LIABILITIES**

Current liabilities	
Claims payable	943,968
Non-current liabilities	
Claims payable	<u>1,482,248</u>
Total Liabilities	<u>2,426,216</u>

**NET POSITION**

Unrestricted	<u><u>\$ 826,822</u></u>
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The notes to financial statements are an integral part of this statement.

**City School District of New Rochelle, New York**

Internal Service Fund - Workers' Compensation Benefits  
Statement of Revenues, Expenses and  
Changes in Net Position  
Year Ended June 30, 2017

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**OPERATING REVENUES**

Charges for services	\$ 1,088,712
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**OPERATING EXPENSES**

Employee benefits	<u>1,257,644</u>
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Loss from Operations	(168,932)
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**NON-OPERATING REVENUES**

Interest income	<u>257</u>
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Change in Net Position	(168,675)
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**NET POSITION**

Beginning of Year	<u>995,497</u>
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End of Year	<u><u>\$ 826,822</u></u>
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The notes to financial statements are an integral part of this statement.

City School District of New Rochelle, New York

Internal Service Fund - Workers' Compensation Benefits  
Statement of Cash Flows  
Year Ended June 30, 2017

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from charges to other funds	\$ 1,082,585
Cash payments to insurance carriers and claimants	<u>(1,088,710)</u>
Net Cash from Operating Activities	(6,125)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	<u>257</u>
Net Change in Cash and Equivalents	(5,868)

**CASH AND EQUIVALENTS**

Beginning of Year	<u>456,581</u>
End of Year	<u><u>\$ 450,713</u></u>

**RECONCILIATION OF LOSS FROM OPERATIONS TO NET  
CASH FROM OPERATING ACTIVITIES**

Loss from operations	\$ (168,932)
Adjustments to reconcile loss from operations to net cash from operating activities	
Changes in assets and liabilities	
Due from other funds	(6,127)
Claims payable	<u>168,934</u>
Net Cash from Operating Activities	<u><u>\$ (6,125)</u></u>

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

City School District of New Rochelle, New York

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2017

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 11,061,072
Accounts receivable	<u>20,366,807</u>
 Total Assets	 <u><u>\$ 31,427,879</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 30,312,563
Escrow deposits	97,227
Employee payroll deductions	616,338
Student activity funds	<u>401,751</u>
 Total Liabilities	 <u><u>\$ 31,427,879</u></u>

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

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**Note 1 - Summary of Significant Accounting Policies**

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

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

**A. Financial Reporting Entity**

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

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

The School District participates in the Southern Westchester Board of Cooperative Educational Services ("BOCES"), a jointly governed entity. BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs, which provide educational and support services. BOCES' governing board is elected based on the vote of members of the participating districts' governing boards. BOCES' budget is comprised of separate budgets for administrative, program and capital costs. BOCES charges the districts for program costs based on participation and for administrative and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school enrollment as defined in Education Law. Copies of BOCES' financial statements can be requested from Southern Westchester BOCES, 17 Berkley Drive, Rye Brook, New York 10573.

**B. District-Wide Financial Statements**

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal revenue of the Internal Service Fund is charges for services. Operating expenses for the Internal Service Fund are for workers' compensation costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**C. Fund Financial Statements**

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

**Fund Categories**

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



**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The major special revenue fund of the School District is the Special Aid Fund. The Special Aid Fund is used to account for special projects or programs supported in whole or in part with Federal, State or local funds. The major revenues of this fund are Federal and State aid.

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

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

Special Revenue Funds:

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

Public Library Fund - The Public Library Fund is used to account for the operations of the New Rochelle Public Library and is primarily funded by the levy of real property taxes.

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

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

- b. Proprietary Funds - The proprietary fund consists of an internal service fund. Internal service funds account for operations that provide services to other departments or other governments on a cost reimbursement basis. The School District has elected to account for its self-insured workers' compensation program as an internal service fund.
- c. Fiduciary Funds (Not Included in District-Wide Financial Statements) - Fiduciary Funds are used to account for assets held by the School District in an agency capacity on behalf of others. Among the activities included in the Agency Fund are the student activity funds. The Agency Fund is primarily utilized to account for payroll tax withholdings and other deposits that are payable to other jurisdictions or individuals.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

**Cash and Equivalents, Investments and Risk Disclosure**

**Cash and Equivalents** - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

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

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

**Risk Disclosure**

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

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2017.

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

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Taxes Receivable** - Real property taxes attach as an enforceable lien on real property as of July 1st. The taxes are levied and payable in October and April. The City of New Rochelle, New York ("City") is responsible for the billing and collection of the taxes. The City guarantees the full payment of the School District warrant and assumes responsibility for the uncollected taxes. On or after May 20th, the School District submits a statement of unpaid taxes to the City. The City remits, as collected, the unpaid taxes and within two years of the receipt of the statement, any balance due.

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

**Due From/To Other Funds** - During the course of its operations, the School District has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

**Inventories** - Inventories in the School Lunch Fund consist of food and supplies and are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at a stated value which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased. The School District uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

**Prepaid Expenses/Expenditures** - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the district-wide and fund financial statements. Prepaid expenses/expenditures consist of costs which have been satisfied prior to the end of the fiscal year, but represents items which have been provided for in the subsequent year's budget and will benefit such periods. Reported amounts in the fund financial statements are equally offset by nonspendable fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

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

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

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

<u>Class</u>	<u>Life in Years</u>
Buildings and Improvements	30
Machinery and Equipment	5

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

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

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has reported unearned revenues of \$36,090 for student meal monies received in advance in the School Lunch Fund and \$60,653 and \$7,098 for Federal, State and local aid received in advance within the Special Aid and Public Library funds, respectively. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The School District reported deferred outflows of resources of \$1,319,024 for a deferred loss on refunding bonds in the district-wide Statement of Net Position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The School District reported deferred inflows of resources of \$2,792,509 for real property taxes in the General Fund. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

The School District also reported deferred outflows of resources and deferred inflows of resources in relation to its pension obligations. These amounts are detailed in the discussion of the School District's pension plans in Note 3G.

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

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

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

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

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

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

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

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

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

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

**F. Encumbrances**

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

**G. Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates

**Note 1 - Summary of Significant Accounting Policies (Continued)**

also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**H. Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 26, 2017.

**Note 2 - Stewardship, Compliance and Accountability**

**A. Budgetary Data**

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

- a) At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- b) At the budget hearing, the voters may raise questions concerning the items contained in the budget.
- c) The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- d) The voters are permitted to vote upon the General Fund budget at the annual meeting.
- e) If the original proposed budget is not approved by the voters, the Board of Education has the option of either resubmitting the original or revising the budget for voter approval at a special meeting held at a later date; or the Board of Education may, at that point, adopt a contingency budget. If the Board of Education decides to submit either the original or a revised budget to the voters for a second time, and the voters do not approve the second budget submittal, the Board of Education must adopt a contingency budget and the tax levy cannot exceed the total tax levy of the prior year (0% levy growth). In addition, the administrative component of the contingency budget shall not comprise a greater percentage of the contingency budget exclusive of the capital component than the lesser of either 1) the percentage the administrative component had comprised in the prior year budget exclusive of the capital component; or 2) the percentage the administrative component had comprised in the last proposed defeated budget exclusive of the capital component.
- f) Formal budgetary integration is employed during the year as a management control device for General, Special Aid and Public Library funds.
- g) Budgets for General, Special Aid and Public Library funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the School Lunch, Special Purpose, Debt Service or Internal Service funds.



**Note 2 - Stewardship, Compliance and Accountability (Continued)**

- h) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in General, Special Aid and Public Library funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

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

**B. Limitation on Fund Balance**

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

**C. Property Tax Limitation**

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

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

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

**D. Capital Projects Fund Project Deficits**

The deficits in the Public Library Improvements and 2016 District-Wide Improvements capital projects of \$1,020,464 and \$8,510,241, respectively, arise because of the application of generally accepted accounting principles to the financial reporting of such activity. The proceeds of bond anticipation notes issued to finance construction of capital projects are not recognized as an "other financing source". Liabilities for bond anticipation notes are accounted for in the Capital Projects Fund. Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. These deficits will be reduced and eliminated as bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing.

**City School District of New Rochelle, New York**

Notes to Financial Statements (Continued)  
 June 30, 2017

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**Note 3 - Detailed Notes on All Funds****A. Taxes Receivable**

Taxes receivable at June 30, 2017 consisted of the following:

Current year	\$ 3,067,439
Prior years	<u>920,342</u>
	<u>\$ 3,987,781</u>

**B. Due From/To Other Funds**

The composition of interfund balances at June 30, 2017 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 21,049	\$ 22,005,817
Special Aid	15,724,253	-
Capital Projects	3,018,279	396,847
Non-Major		
Governmental	1,337,692	500,934
Internal Service	2,802,325	-
	<u>\$ 22,903,598</u>	<u>\$ 22,903,598</u>

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

**C. Capital Assets**

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

<u>Class</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Balance June 30, 2017</u>
Capital Assets, not being depreciated:			
Land	\$ 176,500	\$ -	\$ 176,500
Construction-in-Progress	<u>428,883</u>	<u>9,238,702</u>	<u>9,667,585</u>
Total Capital Assets, not being depreciated	<u>\$ 605,383</u>	<u>\$ 9,238,702</u>	<u>\$ 9,844,085</u>

**City School District of New Rochelle, New York**

Notes to Financial Statements (Continued)  
June 30, 2017

**Note 3 - Detailed Notes on All Funds (Continued)**

Class	Balance July 1, 2016	Additions	Balance June 30, 2017
Capital Assets, being depreciated:			
Buildings and Improvements	\$ 222,061,033	\$ 1,791,450	\$ 223,852,483
Machinery and Equipment	1,185,771	170,656	1,356,427
Total Capital Assets, being depreciated	223,246,804	1,962,106	225,208,910
Less Accumulated Depreciation for:			
Buildings and Improvements	114,894,918	6,790,853	121,685,771
Machinery and Equipment	983,872	65,610	1,049,482
Total Accumulated Depreciation	115,878,790	6,856,463	122,735,253
Total Capital Assets, being depreciated, net	\$ 107,368,014	\$ (4,894,357)	\$ 102,473,657
Capital Assets, net	\$ 107,973,397	\$ 4,344,345	\$ 112,317,742

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

General Support	\$ 37,315
Instruction	6,723,495
Cost of Food Sales	7,652
Culture and Recreation	88,001
Total Depreciation Expense	\$ 6,856,463

**D. Accrued Liabilities**

Accrued liabilities at June 30, 2017 were as follows:

	Fund			
	General	Special Aid	Non-Major Governmental	Total
Payroll and Employee Benefits	\$ 10,207,601	\$ 361,095	\$ 139,574	\$ 10,708,270

**Note 3 - Detailed Notes on All Funds (Continued)**

**E. Short-Term Non-Capital Borrowings**

The schedule below details the changes in short-term non-capital borrowings. The borrowings consisted of notes issued in anticipation of the collection of real property taxes for the 2016-2017 fiscal year.

Purpose	Original Issue Date	Rate of Interest	Maturity Date	Balance July 1, 2016	Issued	Redemptions	Balance June 30, 2017
Tax Anticipation Note	9/14/2016	2.00%	6/29/2017	\$ -	\$ 12,000,000	\$ 12,000,000	\$ -

Interest expenditures/expense of \$89,680 was recorded in the fund financial statements in the General Fund and in the district-wide financial statements.

**F. Short-Term Capital Borrowings - Bond Anticipation Notes**

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

Purpose	Original Issue Date	Rate of Interest	Maturity Date	Balance July 1, 2016	Issued	Redemptions	Balance June 30, 2017
Public Library Improvements	9/25/2014	1.17%	7/14/2017	\$ 815,000	\$ -	\$ 24,316	\$ 790,684
Public Library Improvements	5/13/2016	1.17%	7/14/2017	500,000	-	-	500,000
2016 District-Wide Improvements	8/3/2016	2.25%	7/14/2017	-	11,000,000	-	11,000,000
				<u>\$ 1,315,000</u>	<u>\$ 11,000,000</u>	<u>\$ 24,316</u>	<u>\$ 12,290,684</u>

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Bond anticipation notes issued for judgments or settled claims are recorded in the fund paying the claim. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes or judgments be converted to long-term obligations generally within five years after the original issue date. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Interest expenditures of \$9,794 were charged to the Public Library Fund. Interest expense of \$14,886 was recorded in the district-wide financial statements.

# City School District of New Rochelle, New York

Notes to Financial Statements (Continued)  
June 30, 2017

## Note 3 - Detailed Notes on All Funds (Continued)

### G. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2017:

	Balance July 1, 2016	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2017	Due Within One-Year
Bonds Payable:					
Capital construction	\$ 39,625,000	\$ -	\$ 5,835,000	\$ 33,790,000	\$ 6,080,000
Judgments and claims	6,930,000	-	1,045,000	5,885,000	1,075,000
	46,555,000	-	6,880,000	39,675,000	7,155,000
Plus - Unamortized premium on bonds	1,914,996	-	478,815	1,436,181	-
	48,469,996	-	7,358,815	41,111,181	7,155,000
Energy Performance Contract Payable	13,477,961	-	936,270	12,541,691	958,483
Other Non-Current Liabilities:					
Claims Payable	2,257,282	1,089,211	920,277	2,426,216	943,968
Compensated Absences	4,731,962	1,612,519	473,000	5,871,481	587,000
Net Pension Liability	12,665,693	1,972,680	-	14,638,373	-
Other Post-Employment Benefits Obligations	57,171,804	21,053,516	5,866,945	72,358,375	-
Total Other Non- Current Liabilities	76,826,741	25,727,926	7,260,222	95,294,445	1,530,968
Total Long-Term Liabilities	\$ 138,774,698	\$ 25,727,926	\$ 15,555,307	\$ 148,947,317	\$ 9,644,451

Each governmental funds' liability for bonds, energy performance contract debt, claims, compensated absences, net pension liabilities and other post employment benefit obligations is liquidated primarily by the General Fund.

### Bonds Payable

Bonds payable at June 30, 2017 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rate	Amount Outstanding at June 30, 2017
District-Wide Construction	2009	\$ 12,503,670	November, 2024	3.000 - 4.000 %	\$ 7,175,000
Refunding Bonds	2009	25,575,000	December, 2019	3.500 - 5.000	8,790,000
Tax Certiorari	2010	5,000,000	December, 2019	5.000	1,825,000
Refunding Bonds	2011	6,060,000	December, 2019	5.000	2,820,000
Refunding Bonds	2012	17,685,000	September, 2024	2.000 - 5.000	13,225,000
Library Construction Bonds	2014	1,989,526	January, 2036	3.000 - 4.000	1,780,000
Tax Certiorari	2015	5,000,000	June, 2025	4.000	4,060,000
					<u>\$ 39,675,000</u>

**Note 3 - Detailed Notes on All Funds (Continued)**

Interest expenditure of \$1,568,873 and \$66,113, respectively, was recorded in the fund financial statements in the General and Library Funds. Interest expense of \$1,520,358 was recorded in the district-wide financial statements.

**Energy Performance Contract Payable**

The School District, during the 2011-12 fiscal year, entered into a \$6,331,460 contractual agreement to install energy saving equipment and/or to upgrade existing facilities to enhance performance. The terms of the contract provided for repayment over fifteen years, with semi-annual installments aggregating \$510,681 through November 2026. Payments include interest at 2.55%. The contract further provided that the savings in energy costs resulting from this modernization will equal or exceed the lease payment terms. The balance due at June 30, 2017 was \$4,284,068.

The School District, during the 2014-15 fiscal year, entered into a \$8,968,500 contractual agreement to install energy saving equipment and/or upgrade existing facilities to enhance performance. The terms of the contract provided for repayment over fifteen years, with semi-annual installments aggregating \$734,668 through June 2030. Payments include interest at 2.218%. The contract further provided that the savings in energy costs resulting from this modernization will equal or exceed the lease payment terms. The balance due at June 30, 2017 was \$8,257,623.

Interest expenditures/expense of \$309,079 was recorded in the fund financial statements in the General Fund and in the district-wide financial statements.

**Payments to Maturity**

The annual requirements to amortize all bonded and energy performance contract debt outstanding as of June 30, 2017 including interest payments of \$6,673,633 are as follows:

Year Ending June 30,	Bonds		Energy Performance Contracts		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 7,155,000	\$ 1,318,775	\$ 958,483	\$ 286,867	\$ 8,113,483	\$ 1,605,642
2019	7,425,000	982,425	981,224	264,124	8,406,224	1,246,549
2020	7,690,000	677,613	1,004,509	240,840	8,694,509	918,453
2021	3,105,000	496,050	1,028,350	217,000	4,133,350	713,050
2022	3,180,000	404,700	1,052,758	192,592	4,232,758	597,292
2023-2027	10,125,000	723,406	5,395,447	575,959	15,520,447	1,299,365
2028-2032	505,000	160,200	2,120,920	83,082	2,625,920	243,282
2033-2036	490,000	50,000	-	-	490,000	50,000
	<u>\$ 39,675,000</u>	<u>\$ 4,813,169</u>	<u>\$ 12,541,691</u>	<u>\$ 1,860,464</u>	<u>\$ 52,216,691</u>	<u>\$ 6,673,633</u>

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

**Note 3 - Detailed Notes on All Funds (Continued)****Claims Payable**

The Internal Service Fund reflects workers' compensation claim liabilities based upon estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and other factors that are considered to be appropriate modifiers of past experience. An analysis of the activity of unpaid claim liabilities is as follows:

	Year Ended June 30,	
	2017	2016
Balance - Beginning of Year	\$ 2,257,282	\$ 2,712,150
Provision for Claims and Claims Adjustment Expenses	1,089,211	735,621
Claims and Claims Adjustment Expenses Paid	(920,277)	(1,190,489)
Balance - End of Year	<u>\$ 2,426,216</u>	<u>\$ 2,257,282</u>
Due Within One Year	<u>\$ 943,968</u>	<u>\$ 955,814</u>

**Compensated Absences**

Civil service employees may accumulate up to a maximum of 220 days of sick leave. Upon retirement, sick leave is credited to length of service for retirement benefit purposes. Vacation time earned during any fiscal year generally must be used prior to the end of the subsequent fiscal year. However, the School District allows employees to carry over up to 10 days of unused vacation leave. Compensated absences are funded by the General Fund. The value of such compensated absences has been reflected in the district-wide financial statements.

**Pension Plans***Employees' Retirement System*

The School District participates in the New York State and Local Employees' Retirement System ("ERS"). This is a cost-sharing, multiple-employer defined benefit pension plan. ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to

**Note 3 - Detailed Notes on All Funds (Continued)**

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

The ERS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2017 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
1 75I	21.8 %
3 A14	16.1
4 A15	16.1
5 A15	13.2
6 A15	9.4

At June 30, 2017, the School District reported a liability of \$7,107,840 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. At March 31, 2017, the School District's proportion was .0756457%, which was a decrease of .0032669% from its proportion measured as of March 31, 2016.

For the year ended June 30, 2017, the School District recognized pension expense in the district-wide financial statements of \$4,576,874. Pension expenditures of \$3,807,062 were recorded in the fund financial statements and were charged to the following funds:

General Fund	\$ 3,212,055
Special Aid	15,813
School Lunch	234,582
Public Library	<u>344,612</u>
Total	<u>\$ 3,807,062</u>



**City School District of New Rochelle, New York**

Notes to Financial Statements (Continued)  
 June 30, 2017

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**Note 3 - Detailed Notes on All Funds (Continued)**

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 178,115	\$ 1,079,366
Changes of assumptions	2,428,298	-
Net difference between projected and actual earnings on pension plan investments	1,419,724	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,567,738	121,923
School District contributions subsequent to the measurement date	1,115,438	-
	<u>\$ 6,709,313</u>	<u>\$ 1,201,289</u>

\$1,115,438 reported as deferred outflows of resources related to ERS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense as follows:

<u>Year Ended March 31,</u>	
2018	\$ 1,839,466
2019	1,839,466
2020	1,529,381
2021	(815,727)

The total pension liability for the March 31, 2017 measurement date was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. Significant actuarial assumptions used in the April 1, 2016 valuation were as follows:

Inflation	2.5%
Salary scale	3.8%, indexed by service
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation
Cost of living adjustments	1.3% annually

Annuitant mortality rates are based on the April 1, 2010 - March 31, 2015 ERS's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

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

**Note 3 - Detailed Notes on All Funds (Continued)**

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

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	36 %	4.55 %
International Equity	14	6.35
Private Equity	10	7.75
Real Estate	10	5.80
Absolute Return Strategies	2	4.00
Opportunistic Portfolio	3	5.89
Real Assets	3	5.54
Bonds and Mortgages	17	1.31
Cash	1	(0.25)
Inflation Indexed Bonds	4	1.50
	<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.5%.

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

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

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 22,701,031</u>	<u>\$ 7,107,840</u>	<u>\$ (6,076,175)</u>

**Note 3 - Detailed Notes on All Funds (Continued)**

The components of the collective net pension liability of ERS as of the March 31, 2017 measurement date were as follows:

Total pension liability	\$ 177,400,586,000
ERS fiduciary net position	<u>168,004,363,000</u>
Employers' net pension liability	<u>\$ 9,396,223,000</u>
ERS fiduciary net position as a percentage of total pension liability	<u>94.7%</u>

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Accrued retirement contributions to ERS as of June 30, 2017 were \$1,026,891 and \$88,547 in the General Fund and Public Library Fund, respectively.

*Teachers' Retirement System*

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

The TRS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% depending on salary levels for their entire length of service. Pursuant to Article 11 of the Education Law of the State of New York, actuarially determined employer contributions are established annually for the TRS by its Board of Trustees. The employer contribution rate for the plan's year ending in 2017 was 11.72%.

At June 30, 2017, the School District reported a liability of \$7,530,533 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's contributions to the pension plan relative to the contributions of all participating members. At June 30, 2016, the School District's proportion was 0.703104%, which was a decrease of .004209% from its proportion measured as of June 30, 2015.

**Note 3 - Detailed Notes on All Funds (Continued)**

For the year ended June 30, 2017, the School District recognized pension expense in the district-wide financial statements of \$12,509,172. Pension expenditures of \$12,543,098 and \$552,221 were recorded in the fund financial statements and were charged to the General and Special Aid funds, respectively. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,446,339
Changes of assumptions	42,898,713	-
Net difference between projected and actual earnings on pension plan investments	16,932,599	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	281,859	40,547
School District contributions subsequent to the measurement date	13,078,277	-
	<u>\$ 73,191,448</u>	<u>\$ 2,486,886</u>

\$13,078,277 reported as deferred outflows of resources related to TRS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TRS will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ 5,275,740
2018	5,275,740
2019	18,426,064
2020	14,334,615
2021	6,594,890
Thereafter	7,719,236

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

**Note 3 - Detailed Notes on All Funds (Continued)**

Inflation	2.5%										
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent TRS member experience.										
	<table> <tr> <th>Service</th><th>Rate</th></tr> <tr> <td>5</td><td>4.72 %</td></tr> <tr> <td>15</td><td>3.46</td></tr> <tr> <td>25</td><td>2.37</td></tr> <tr> <td>35</td><td>1.90</td></tr> </table>	Service	Rate	5	4.72 %	15	3.46	25	2.37	35	1.90
Service	Rate										
5	4.72 %										
15	3.46										
25	2.37										
35	1.90										
Projected COLAs	1.5% compounded annually										
Investment rate of return	7.5% compounded annually, net of pension plan investment expense, including inflation										

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

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

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice ("ASOP") No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of the valuation date of June 30, 2015 is summarized in the following table:

Asset Class:	Target Allocation	Long-Term Expected Real Rate of Return*
Equities:		
Domestic equities	37 %	6.10 %
International equities	18	7.30
Real estate	10	5.40
Private equities	7	9.20
Total Equities	72	
Fixed Income:		
Domestic fixed income securities	17	1.00
Global fixed income securities	2	0.80
Mortgages	8	3.10
Short-term	1	0.10
Total Fixed Income	28	
Total	100 %	

\* Real rates of return are net of the long-term inflation assumption of 2.1% for 2015.

**Note 3 - Detailed Notes on All Funds (Continued)**

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

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

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability (asset)	<u>\$ 98,252,925</u>	<u>\$ 7,530,533</u>	<u>\$ (68,562,653)</u>

The components of the collective net pension liability of TRS as of the June 30, 2016 measurement date were as follows:

Total pension liability	\$ 108,577,184,039
TRS fiduciary net position	<u>107,506,142,099</u>
Employers' net pension liability	<u>\$ 1,071,041,940</u>
TRS fiduciary net position as a percentage of total pension liability	<u>99.01%</u>

Employer and employee contributions for the year ended June 30, 2017 are paid to TRS in the following fiscal year through a state aid intercept or, if state aid is insufficient, through a payment by the School District to TRS. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employers' contribution rate plus employee contributions for the fiscal year as reported to TRS. Accrued retirement contributions to TRS as of June 30, 2017 were \$13,824,919.

*Voluntary Defined Contribution Plan*

The School District can offer a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the School District will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in this program.

**Note 3 - Detailed Notes on All Funds (Continued)**

**Other Post Employment Benefit Obligations Payable**

In addition to providing pension benefits, the School District provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the School District may vary according to length of service. The cost of providing post-employment health care benefits is shared between the School District and the retired employee. Substantially all of the School District's employee's may become eligible for those benefits if they reach normal retirement age while working for the School District. The cost of retiree health care benefits is recognized as an expenditure/expense as claims are paid.

The School District's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The School District is required to accrue on the district-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in post retirement benefits are as follows:

Year Ended June 30,	Medical
2018	8.50 %
2019	8.00
2020	7.50
2021	7.00
2022	6.50
2023	6.00
2024	5.50
2025+	5.00

**Note 3 - Detailed Notes on All Funds (Continued)**

The amortization basis is the fixed dollar amortization with a closed amortization approach with 20 years remaining in the amortization period. The actuarial assumptions included a 4.0% investment rate of return. The School District currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the projected unit credit method.

The number of participants as of June 30, 2017 was as follows:

Active Employees	1,349
Retired Employees	<u>778</u>
	<u>2,127</u>

Amortization Component:	
Actuarial Accrued Liability as of July 1, 2016	\$ 251,448,710
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 251,448,710</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (Active plan members)	<u>\$ 93,948,341</u>
UAAL as a Percentage of Covered Payroll	<u>267.65%</u>
Annual Required Contribution	\$ 10,266,090
Interest on Net OPEB Obligation	2,298,447
Adjustment to Annual Required Contribution	<u>8,488,979</u>
Annual OPEB Cost	21,053,516
Contributions Made	<u>(5,866,945)</u>
Increase in Net OPEB Obligation	15,186,571
Net OPEB Obligation - Beginning of Year	<u>57,171,804</u>
Net OPEB Obligation - End of Year	<u>\$ 72,358,375</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding years is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 21,053,516	27.87 %	\$ 72,358,375
2016	20,176,084	28.55	57,171,804
2015	12,344,038	42.03	42,755,648



**Note 3 - Detailed Notes on All Funds (Continued)**

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

**H. Revenues and Expenditures****Interfund Transfers**

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

Transfers Out	Transfers In			Total
	Special Aid Fund	Capital Projects Fund	Non-Major Governmental	
General Fund	\$ 1,095,267	\$ 2,282,585	\$ 368,396	\$ 3,746,248
Non-Major Governmental	-	24,316	-	24,316
	<u>\$ 1,095,267</u>	<u>\$ 2,306,901</u>	<u>\$ 368,396</u>	<u>\$ 3,770,564</u>

Transfers are used to move amounts earmarked in the operating funds to fulfill commitments for Capital Projects and Special Aid funds expenditures.

**I. Net Position**

The components of net position are detailed below:

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

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

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

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

*Restricted for Unemployment Benefits* - the component of net position that has been established to set aside funds to be used for a specific purpose in accordance with Section 6-m of the General Municipal Law of the State of New York.

**Note 3 - Detailed Notes on All Funds (Continued)**

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

*Restricted for Workers' Compensation Benefits* - the component of net position that has been established to set aside funds to be used for a specific purpose in accordance with Section 6-j of the General Municipal Law of the State of New York.

*Restricted for School Lunch* - the component of net position that reports the difference between assets and liabilities in the School Lunch Fund.

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

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

# City School District of New Rochelle, New York

Notes to Financial Statements (Continued)  
June 30, 2017

## Note 3 - Detailed Notes on All Funds (Continued)

### J. Fund Balances

	2017				2016			
	General Fund	Capital Projects Fund	Non-Major Governmental	Total	General Fund	Capital Projects Fund	Non-Major Governmental	Total
Nonspendable:								
Inventories	\$ -	\$ -	\$ 18,686	\$ 18,686	\$ -	\$ -	\$ 11,110	\$ 11,110
Prepaid expenditures	-	-	173,203	173,203	-	-	108,280	108,280
Total Nonspendable	-	-	191,889	191,889	-	-	119,390	119,390
Restricted:								
Tax certiorari	8,205,053	-	-	8,205,053	6,446,882	-	-	6,446,882
Unemployment benefits	166,614	-	-	166,614	166,448	-	-	166,448
Retirement system contributions	2,500,000	-	-	2,500,000	-	-	-	-
Employee benefit accrued liability	1,500,000	-	-	1,500,000	-	-	-	-
Debt service	-	-	644,947	644,947	-	-	497,567	497,567
Special purposes - library	-	-	104,460	104,460	-	-	125,515	125,515
Special purposes - other	-	-	327,975	327,975	-	-	340,625	340,625
Total Restricted	12,371,667	-	1,077,382	13,449,049	6,613,330	-	963,707	7,577,037
Assigned:								
Purchases on order:								
General government support	2,209,569	-	-	2,209,569	651,760	-	-	651,760
Instruction	1,787,513	-	-	1,787,513	1,275,415	-	-	1,275,415
Transportation	764,053	-	-	764,053	181,900	-	-	181,900
	4,761,135	-	-	4,761,135	2,109,075	-	-	2,109,075
Subsequent year's expenditures from:								
General Fund	533,820	-	-	533,820	-	-	-	-
Public Library Fund	-	-	-	-	-	-	50,000	50,000
Debt Service Fund	-	-	275,000	275,000	-	-	275,000	275,000
School Lunch Fund	-	-	70,558	70,558	-	-	78,134	78,134
Public Library purposes	-	-	806,417	806,417	-	-	773,144	773,144
Total Assigned	5,294,955	-	1,151,975	6,446,930	2,109,075	-	1,176,278	3,285,353
Unassigned	10,353,243	(7,409,352)	-	2,943,891	10,126,466	(382,019)	-	9,744,447
Total Fund Balances	\$ 28,019,865	\$ (7,409,352)	\$ 2,421,246	\$ 23,031,759	\$ 18,848,871	\$ (382,019)	\$ 2,259,375	\$ 20,726,227

**Note 3 - Detailed Notes on All Funds (Continued)**

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

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

Prepaid Expenditures has been provided to account for certain payments made in advance. The amount is classified as nonspendable to indicate that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

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

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

Subsequent year's expenditures represent that at June 30, 2017, the Board of Education has assigned the above amounts to be appropriated for the ensuing year's budget.

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

**Note 4 - Summary Disclosure of Significant Contingencies**

**A. Litigation**

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

**B. Contingencies**

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

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

**Note 4 - Summary Disclosure of Significant Contingencies (Continued)**

**C. Risk Management**

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

The School District purchases various insurance coverages from the Company to reduce its exposure to loss. The School District maintains a general liability insurance policy with a limit of \$1 million per occurrence and a school board legal liability policy with a per claim limit of \$1 million. The School District also maintains an umbrella policy with a limit of \$25 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District is self-insured for workers' compensation benefits. The governmental funds are charged premiums by the internal service fund. The School District also purchases a stop loss policy, which limits the School District's exposure to \$500,000 per occurrence and \$2,000,000 in the aggregate. Unemployment benefits are self-insured by the School District and incurred but not reported claims are not material. The School District also purchases conventional health coverage from a variety of providers.

**Note 5 - Tax Abatements**

The School District, through the City, has 18 real property tax abatement agreements with various entities.

Generally, these provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes ("PILOT").

**City School District of New Rochelle, New York**

Notes to Financial Statements (Concluded)  
 June 30, 2017

**Note 5 - Tax Abatements (Continued)**

Copies of the agreements may be obtained from City School District of New Rochelle, New York, 515 North Avenue, New Rochelle, NY 10801. Information relevant to disclosure of these agreements for the fiscal year ended June 30, 2017 is as follows:

Agreement	Taxable Assessed Value	Tax Rate	Tax Value	PILOT Received*	Tax Abated
Pearlgreen	\$ 159,000	\$ 750.41	\$ 119,315	\$ 75,041	\$ 44,274.00
Macleay (Larchmont Woods)	939,800	750.41	705,235	154,241	550,994.00
32 Burling Lane	71,700	750.41	53,804	53,804	-
Avalon Phase I - Retail	4,214,750	750.41	3,162,791	43,374	3,119,417.00
Avalon Phase IIA - Retail	6,208,500	750.41	4,658,920	40,222	4,618,698.00
Soundview Apts LP	275,000	750.41	206,363	57,091	149,272.00
180 Union Ave Association	71,200	750.41	53,429	30,943	22,486.00
Heritage Homes - Phase I	188,000	750.41	141,077	20,999	120,078.00
Maple Terrace	769,500	750.41	577,440	62,428	515,012.00
Maple Center Housing	1,309,850	750.41	982,925	42,659	940,266.00
Carrington Arms	1,056,700	750.41	792,958	83,031	709,927.00
Washington House LLC - 2016	444,000	750.41	333,182	254,511	78,671.00
Washington House LLC - 2015	444,000	746.39	331,397	70,567	260,830.00
Heritage Homes - Phase II	80,400	750.41	60,333	12,993	47,340.00
Lincoln Towers	532,000	750.41	399,218	15,028	384,190.00
New Rochelle Housing Authority	460,000	750.41	345,189	24,617	320,572.00
Banner Storage	336,000	750.41	252,138	79,176	172,962.00
48 Burling Lane	87,900	750.41	65,961	65,961	-
165 Huguenot	184,600	750.41	138,526	64,851	73,675.00
Heritage Phase III	58,850	750.41	44,162	11,534	32,628.00
	<u>\$ 17,891,750</u>		<u>\$ 13,424,363</u>	<u>\$ 1,263,071</u>	<u>\$ 12,161,292</u>

\*Excludes PILOT's received for the public library.

**Note 6 - Subsequent Events**

The School District, on July 13, 2017, issued a \$38,000,000 bond anticipation note for the reconstruction and construction of improvements to school buildings. The proceeds of the note will be used to redeem \$11,000,000 of outstanding bond anticipation notes and provide \$27,000,000 in new financing for the project. The note is due on July 13, 2018, with interest at 2.50%.

The School District, on July 13, 2017, issued a \$1,225,369 bond anticipation note for Public Library improvements. The proceeds of the note, along with \$65,315 in available School District funds, will be used to redeem \$1,290,684 of outstanding bond anticipation notes. The note is due on July 13, 2018, with interest at 1.24%.

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**City School District of New Rochelle, New York**

Required Supplementary Information - Schedule of Funding Progress  
Other Post Employment Benefits  
Last Three Fiscal Years

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2014	\$ -	\$ 154,277,494	\$ 154,277,494	- %	\$ 91,108,728	169.33 %
July 1, 2015 (1)	-	240,235,595	240,235,595	-	94,109,564	255.27
July 1, 2016	-	251,448,710	251,448,710	-	93,948,341	267.65

(1) The discount rate was decreased from 5.0% to 4.0% effective with the July 1, 2015 valuation date.

# City School District of New Rochelle, New York

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

	2017 (2)	2016	2015
School District's proportion of the net pension liability (asset)	<u>0.703104%</u>	<u>0.707313%</u>	<u>0.708578%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 7,530,533</u>	<u>\$ (73,467,286)</u>	<u>\$ (78,931,150)</u>
School District's covered payroll	<u>\$ 108,501,263</u>	<u>\$ 106,249,709</u>	<u>\$ 104,691,044</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>6.94%</u>	<u>(69.15)%</u>	<u>(75.39)%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>99.01%</u>	<u>110.46%</u>	<u>111.48%</u>

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

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

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



**City School District of New Rochelle, New York****Required Supplementary Information - Schedule of Contributions  
New York State Teachers' Retirement System  
Last Ten Fiscal Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 13,078,277	\$ 14,387,267	\$ 18,625,574
Contributions in relation to the contractually required contribution	<u>(13,078,277)</u>	<u>(14,387,267)</u>	<u>(18,625,574)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 111,589,396</u>	<u>\$ 108,501,263</u>	<u>\$ 106,249,709</u>
Contributions as a percentage of covered payroll	<u>11.72%</u>	<u>13.26%</u>	<u>17.53%</u>

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

**City School District of New Rochelle, New York**

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

	2017	2016 (2)	2015
School District's proportion of the net pension liability	<u>0.0756457%</u>	<u>0.0789126%</u>	<u>0.0796774%</u>
School District's proportionate share of the net pension liability	<u>\$ 7,107,840</u>	<u>\$ 12,665,693</u>	<u>\$ 2,691,699</u>
School District's covered payroll	<u>\$ 24,231,310</u>	<u>\$ 23,951,318</u>	<u>\$ 23,592,248</u>
School District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>29.33%</u>	<u>52.88%</u>	<u>11.41%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>94.70%</u>	<u>90.70%</u>	<u>97.90%</u>

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

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

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

**City School District of New Rochelle, New York****Required Supplementary Information - Schedule of Contributions  
New York State and Local Employees' Retirement System  
Last Ten Fiscal Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,813,991	\$ 4,363,279	\$ 4,814,005
Contributions in relation to the contractually required contribution	<u>(3,813,991)</u>	<u>(4,363,279)</u>	<u>(4,814,005)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 24,388,724</u>	<u>\$ 24,553,491</u>	<u>\$ 24,069,960</u>
Contributions as a percentage of covered payroll	<u>15.64%</u>	<u>17.77%</u>	<u>20.00%</u>

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

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**City School District of New Rochelle, New York**

General Fund  
Comparative Balance Sheet  
June 30,

	2017	2016
<b>ASSETS</b>		
Cash and equivalents	\$ 35,789,640	\$ 31,193,620
Receivables		
Taxes	3,987,781	4,050,108
Accounts	30,209,454	25,668,966
State and Federal aid	5,246,517	4,779,753
Due from other governments, net of allowance for uncollectible amounts of \$1,692,881 in 2017 and \$823,710 in 2016	13,338,778	9,963,243
Due from other funds	21,049	4,073,931
	<u>52,803,579</u>	<u>48,536,001</u>
Total Assets	<u>\$ 88,593,219</u>	<u>\$ 79,729,621</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 9,721,250	\$ 6,469,836
Accrued liabilities	10,207,601	16,267,771
Due to other funds	22,005,817	17,089,288
Due to other governments	994,367	1,854,677
Due to retirement systems	14,851,810	16,177,142
Total Liabilities	57,780,845	57,858,714
Deferred inflows of resources		
Deferred tax revenues	<u>2,792,509</u>	<u>3,022,036</u>
Total Liabilities and Deferred Inflows of Resources	<u>60,573,354</u>	<u>60,880,750</u>
Fund balance		
Restricted	12,371,667	6,613,330
Assigned	5,294,955	2,109,075
Unassigned	<u>10,353,243</u>	<u>10,126,466</u>
Total Fund Balance	<u>28,019,865</u>	<u>18,848,871</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 88,593,219</u>	<u>\$ 79,729,621</u>

See independent auditors' report.

**City School District of New Rochelle, New York**

General Fund

Comparative Schedule of Revenues, Expenditures and

Changes in Fund Balance - Budget and Actual

Years Ended June 30,

	2017				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
<b>REVENUES</b>					
Real property taxes	\$ 179,391,595	\$ 179,391,595	\$ 181,859,514	\$	\$ 2,467,919
Other tax items	23,651,215	23,651,215	23,348,684		(302,531)
Non-property taxes	3,375,000	3,375,000	2,315,205		(1,059,795)
Charges for services	3,025,000	3,025,000	3,693,753		668,753
Use of money and property	210,000	210,000	282,981		72,981
Sale of property and compensation for loss	81,000	81,000	4,264		(76,736)
State aid	41,027,994	41,027,994	42,064,520		1,036,526
Federal aid	400,000	400,000	182,559		(217,441)
Miscellaneous	2,248,832	2,248,832	1,453,815		(795,017)
<b>Total Revenues</b>	<b>253,410,636</b>	<b>253,410,636</b>	<b>255,205,295</b>		<b>1,794,659</b>
<b>EXPENDITURES</b>					
Current					
General support					
Board of education	332,575	328,495	279,379	4,876	44,240
Central administration	535,068	520,339	511,827	1,434	7,078
Finance	1,868,454	1,871,124	1,766,745	39,054	65,325
Staff	1,673,533	2,015,992	1,795,937	3,693	216,362
Central services	22,206,660	23,234,350	19,870,919	2,160,512	1,202,919
Special items	2,819,214	3,463,005	3,137,184	-	325,821
<b>Total General Support</b>	<b>29,435,504</b>	<b>31,433,305</b>	<b>27,361,991</b>	<b>2,209,569</b>	<b>1,861,745</b>
Instruction					
Instruction, administration and improvement	11,266,776	10,711,207	10,242,698	18,915	449,594
Teaching - Regular school	81,615,159	80,695,763	79,031,916	192,169	1,471,678
Programs for students with disabilities	24,124,331	26,616,481	25,659,808	665,299	291,374
Occupational education	3,673,868	4,122,087	4,122,087	-	-
Teaching - Special schools	991,878	907,576	837,274	-	70,302
Instructional media	7,086,199	6,924,191	6,298,013	70,522	555,656
Pupil services	13,433,924	13,665,211	12,517,493	840,608	307,110
<b>Total Instruction</b>	<b>142,192,135</b>	<b>143,642,516</b>	<b>138,709,289</b>	<b>1,787,513</b>	<b>3,145,714</b>
Pupil transportation	13,387,512	12,146,076	11,127,008	764,053	255,015
Community services	2,469	16,469	14,261	-	2,208
Employee benefits	56,920,020	55,964,503	55,361,602	-	602,901
Debt service					
Principal	7,746,270	7,746,270	7,746,270	-	-
Interest	2,040,386	2,040,386	1,967,632	-	72,754
<b>Total Expenditures</b>	<b>251,724,296</b>	<b>252,989,525</b>	<b>242,288,053</b>	<b>4,761,135</b>	<b>5,940,337</b>
Excess of Revenues Over Expenditures	1,686,340	421,111	12,917,242	(4,761,135)	7,734,996
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	275,000	275,000	-	-	(275,000)
Transfers out	(4,070,415)	(3,804,079)	(3,746,248)	-	57,831
<b>Total Other Financing Uses</b>	<b>(3,795,415)</b>	<b>(3,529,079)</b>	<b>(3,746,248)</b>	<b>-</b>	<b>(217,169)</b>
<b>Net Change in Fund Balance</b>	<b>(2,109,075)</b>	<b>(3,107,968)</b>	<b>9,170,994</b>	<b>\$ (4,761,135)</b>	<b>\$ 7,517,827</b>
<b>FUND BALANCE</b>					
Beginning of Year	2,109,075	3,107,968	18,848,871		
End of Year	\$ -	\$ -	\$ 28,019,865		

See independent auditors' report.

2016				
Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
\$ 176,442,317	\$ 176,442,317	\$ 174,700,519	\$	\$ (1,741,798)
24,833,895	24,833,895	24,538,213		(295,682)
3,600,000	3,600,000	3,382,159		(217,841)
3,050,000	3,050,000	4,177,165		1,127,165
242,000	242,000	254,401		12,401
81,000	81,000	51,069		(29,931)
38,912,918	38,912,918	38,312,805		(600,113)
260,464	260,464	170,285		(90,179)
2,436,504	2,436,504	1,621,525		(814,979)
249,859,098	249,859,098	247,208,141		(2,650,957)
321,983	344,551	326,264	1,658	16,629
521,646	512,724	496,885	11,588	4,251
1,661,138	1,819,273	1,656,782	13,135	149,356
1,621,630	2,037,283	1,705,825	217,959	113,499
22,426,840	22,780,379	20,263,791	407,420	2,109,168
6,582,291	5,360,453	5,284,110	-	76,343
33,135,528	32,854,663	29,733,657	651,760	2,469,246
10,857,808	10,757,258	10,542,504	13,969	200,785
78,997,455	77,783,668	76,614,334	178,894	990,440
22,584,628	24,340,748	24,048,459	280,104	12,185
3,513,046	3,920,013	3,920,013	-	-
1,084,052	1,085,288	865,219	-	220,069
6,106,166	6,989,441	6,637,764	9,261	342,416
12,280,466	12,440,364	11,315,546	793,187	331,631
135,423,621	137,316,780	133,943,839	1,275,415	2,097,526
12,588,605	12,629,023	12,299,085	181,900	148,038
2,469	1,770	823	-	947
57,161,689	56,367,258	53,216,952	-	3,150,306
7,303,423	7,497,349	7,497,349	-	-
2,039,352	2,205,838	2,205,837	-	1
247,654,687	248,872,681	238,897,542	2,109,075	7,866,064
2,204,411	986,417	8,310,599	(2,109,075)	5,215,107
262,375	262,375	-	-	(262,375)
(2,841,018)	(4,807,230)	(4,526,421)	-	280,809
(2,578,643)	(4,544,855)	(4,526,421)	-	18,434
(374,232)	(3,558,438)	3,784,178	\$ (2,109,075)	\$ 5,233,541
374,232	3,558,438	15,064,693		
\$ -	\$ -	\$ 18,848,871		

City School District of New Rochelle, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REAL PROPERTY TAXES</b>	<u>\$ 179,391,595</u>	<u>\$ 179,391,595</u>	<u>\$ 181,859,514</u>	<u>\$ 2,467,919</u>
<b>OTHER TAX ITEMS</b>				
School tax relief reimbursement	21,051,215	21,051,215	21,051,215	-
Payments in lieu of taxes	2,200,000	2,200,000	1,263,071	(936,929)
Interest and penalties on real property taxes	<u>400,000</u>	<u>400,000</u>	<u>1,034,398</u>	<u>634,398</u>
	<u>23,651,215</u>	<u>23,651,215</u>	<u>23,348,684</u>	<u>(302,531)</u>
<b>NON-PROPERTY TAXES</b>				
Utility gross receipts tax	<u>3,375,000</u>	<u>3,375,000</u>	<u>2,315,205</u>	<u>(1,059,795)</u>
<b>CHARGES FOR SERVICES</b>				
Day school tuition	700,000	700,000	1,109,610	409,610
Continuing education tuition	75,000	75,000	47,981	(27,019)
Health services for other districts	<u>2,250,000</u>	<u>2,250,000</u>	<u>2,536,162</u>	<u>286,162</u>
	<u>3,025,000</u>	<u>3,025,000</u>	<u>3,693,753</u>	<u>668,753</u>
<b>USE OF MONEY AND PROPERTY</b>				
Earnings on investments	75,000	75,000	170,617	95,617
Rental of real property	<u>135,000</u>	<u>135,000</u>	<u>112,364</u>	<u>(22,636)</u>
	<u>210,000</u>	<u>210,000</u>	<u>282,981</u>	<u>72,981</u>
<b>SALE OF PROPERTY AND COMPENSATION FOR LOSS</b>				
Insurance recoveries	81,000	81,000	-	(81,000)
Other	<u>-</u>	<u>-</u>	<u>4,264</u>	<u>4,264</u>
	<u>81,000</u>	<u>81,000</u>	<u>4,264</u>	<u>(76,736)</u>



**STATE AID**

Basic formula	34,966,948	34,966,948	36,350,957	1,384,009
BOCES	4,235,565	4,235,565	4,350,523	114,958
Textbooks	739,027	739,027	740,999	1,972
Computer software	335,566	335,566	330,344	(5,222)
Library aid	86,925	86,925	89,206	2,281
Non-resident homeless aid	663,963	663,963	126,498	(537,465)
Chapter 47 tuition	-	-	75,993	75,993

	<u>41,027,994</u>	<u>41,027,994</u>	<u>42,064,520</u>	<u>1,036,526</u>
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**FEDERAL AID**

Medical assistance	<u>400,000</u>	<u>400,000</u>	<u>182,559</u>	<u>(217,441)</u>
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**MISCELLANEOUS**

Refund of prior year's expenditures	1,150,000	1,150,000	984,191	(165,809)
Other	<u>1,098,832</u>	<u>1,098,832</u>	<u>469,624</u>	<u>(629,208)</u>

	<u>2,248,832</u>	<u>2,248,832</u>	<u>1,453,815</u>	<u>(795,017)</u>
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**TOTAL REVENUES**

	253,410,636	253,410,636	255,205,295	1,794,659
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**OTHER FINANCING SOURCES**

Transfers in				
Debt Service Fund	<u>275,000</u>	<u>275,000</u>	<u>-</u>	<u>(275,000)</u>

**TOTAL REVENUES AND****OTHER FINANCING SOURCES**

	<u>\$ 253,685,636</u>	<u>\$ 253,685,636</u>	<u>\$ 255,205,295</u>	<u>\$ 1,519,659</u>
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**City School District of New Rochelle, New York**

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
<b>GENERAL SUPPORT</b>					
<b>BOARD OF EDUCATION</b>					
Board of education	\$ 42,018	\$ 45,533	\$ 40,721	\$ 4,226	\$ 586
District clerk	193,901	193,837	176,261	-	17,576
District meeting	96,656	89,125	62,397	650	26,078
Total Board of Education	332,575	328,495	279,379	4,876	44,240
<b>CENTRAL ADMINISTRATION</b>					
Chief school administrator	535,068	520,339	511,827	1,434	7,078
<b>FINANCE</b>					
Business administration	1,129,076	1,155,552	1,092,713	18,335	44,504
Accounting and auditing	140,500	175,833	157,700	18,133	-
Treasurer	172,051	160,239	160,202	-	37
Purchasing	422,827	376,772	354,768	2,586	19,418
Other	4,000	2,728	1,362	-	1,366
Total Finance	1,868,454	1,871,124	1,766,745	39,054	65,325
<b>STAFF</b>					
Legal	749,133	878,638	804,995	-	73,643
Personnel	653,094	921,540	819,653	1,173	100,714
Records management officer	14,480	22,577	22,179	-	398
Public information and services	256,826	193,237	149,110	2,520	41,607
Total Staff	1,673,533	2,015,992	1,795,937	3,693	216,362

**CENTRAL SERVICES**

Operation and maintenance of plant	16,359,318	17,340,756	14,074,748	2,087,619	1,178,389
Security	4,112,126	4,045,649	3,964,170	56,950	24,529
Central printing and mailing	35,500	24,013	24,013	-	-
Central data processing	1,699,716	1,823,932	1,807,988	15,943	1
Total Central Services	22,206,660	23,234,350	19,870,919	2,160,512	1,202,919

**SPECIAL ITEMS**

Unallocated insurance	1,335,560	1,227,675	1,173,451	-	54,224
School association dues	29,168	29,549	29,549	-	-
Judgments and claims	10,000	10,000	-	-	10,000
Assessments on school property	265,000	17,402	7,091	-	10,311
Refunds of real property taxes	-	998,893	747,607	-	251,286
Administrative charge - BOCES	1,179,486	1,179,486	1,179,486	-	-
Total Special Items	2,819,214	3,463,005	3,137,184	-	325,821
Total General Support	29,435,504	31,433,305	27,361,991	2,209,569	1,861,745

**INSTRUCTION****INSTRUCTION, ADMINISTRATION  
AND IMPROVEMENT**

Curriculum development and supervision	1,211,802	1,132,688	909,429	5,901	217,358
Supervision - Regular school	9,463,157	9,268,243	9,155,637	9,269	103,337
Supervision - Special schools	67,145	67,145	48,118	-	19,027
Research, planning and evaluation	83,207	100,139	40,325	924	58,890
In-service training - Instruction	441,465	142,992	89,189	2,821	50,982
Total Instruction, Administration and Improvement	11,266,776	10,711,207	10,242,698	18,915	449,594

**TEACHING - REGULAR SCHOOL**

81,615,159	80,695,763	79,031,916	192,169	1,471,678
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**PROGRAMS FOR STUDENTS  
WITH DISABILITIES**

24,124,331	26,616,481	25,659,808	665,299	291,374
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**OCCUPATIONAL EDUCATION**

3,673,868	4,122,087	4,122,087	-	-
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**TEACHING - SPECIAL SCHOOLS**

991,878	907,576	837,274	-	70,302
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(Continued)

City School District of New Rochelle, New York

General Fund

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

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
<b>INSTRUCTION (Continued)</b>					
<b><i>INSTRUCTIONAL MEDIA</i></b>					
School library and audiovisual	\$ 1,563,267	\$ 1,354,896	\$ 1,266,310	\$ 4,204	\$ 84,382
Computer assisted instruction	5,522,932	5,569,295	5,031,703	66,318	471,274
Total Instructional Media	7,086,199	6,924,191	6,298,013	70,522	555,656
<b><i>PUPIL SERVICES</i></b>					
Attendance - Regular school	574,609	596,484	586,995	424	9,065
Guidance - Regular school	2,994,522	2,896,463	2,802,237	825	93,401
Health services - Regular school	4,266,147	4,071,956	3,107,705	832,586	131,665
Psychological services - Regular school	2,569,345	2,674,607	2,652,990	255	21,362
Social work services - Regular school	1,649,406	1,784,072	1,772,431	-	11,641
Co-curricular activities - Regular school	341,950	490,250	489,270	-	980
Interscholastic athletics - Regular school	1,037,945	1,151,379	1,105,865	6,518	38,996
Total Pupil Services	13,433,924	13,665,211	12,517,493	840,608	307,110
Total Instruction	142,192,135	143,642,516	138,709,289	1,787,513	3,145,714
<b><i>PUPIL TRANSPORTATION</i></b>					
District transportation services	283,895	323,394	263,326	3,373	56,695
Contract and public carrier transportation	13,103,617	11,822,682	10,863,682	760,680	198,320
Total Pupil Transportation	13,387,512	12,146,076	11,127,008	764,053	255,015
<b><i>COMMUNITY SERVICES</i></b>					
Census	2,469	16,469	14,261	-	2,208

**EMPLOYEE BENEFITS**

State retirement	4,210,917	3,212,055	3,212,055	-	-
Teachers' retirement	13,066,849	12,709,941	12,543,098	-	166,843
Social security	10,124,244	9,610,877	9,610,877	-	-
Hospital, medical and dental insurance	25,752,709	26,526,393	26,469,020	-	57,373
Workers' compensation benefits	1,200,000	1,200,000	1,031,318	-	168,682
Union welfare benefits	2,565,301	2,705,237	2,495,234	-	210,003
	<u>56,920,020</u>	<u>55,964,503</u>	<u>55,361,602</u>	<u>-</u>	<u>602,901</u>

**DEBT SERVICE**

Principal					
Serial bonds	6,810,000	6,810,000	6,810,000	-	-
Energy performance contract	936,270	936,270	936,270	-	-
	<u>7,746,270</u>	<u>7,746,270</u>	<u>7,746,270</u>	<u>-</u>	<u>-</u>
Interest					
Serial bonds	1,568,876	1,568,876	1,568,873	-	3
Bond anticipation notes	37,431	37,431	-	-	37,431
Tax anticipation note	125,000	125,000	89,680	-	35,320
Energy performance contract	309,079	309,079	309,079	-	-
	<u>2,040,386</u>	<u>2,040,386</u>	<u>1,967,632</u>	<u>-</u>	<u>72,754</u>
	<u>9,786,656</u>	<u>9,786,656</u>	<u>9,713,902</u>	<u>-</u>	<u>72,754</u>

**TOTAL EXPENDITURES**

<u>251,724,296</u>	<u>252,989,525</u>	<u>242,288,053</u>	<u>4,761,135</u>	<u>5,940,337</u>
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**OTHER FINANCING USES**

Transfers out					
Special Aid Fund	1,730,000	1,095,268	1,095,267	-	1
School Lunch Fund	-	368,396	368,396	-	-
Capital Projects Fund	2,340,415	2,340,415	2,282,585	-	57,830
	<u>4,070,415</u>	<u>3,804,079</u>	<u>3,746,248</u>	<u>-</u>	<u>57,831</u>

**TOTAL EXPENDITURES AND  
OTHER FINANCING USES**

<u>\$ 255,794,711</u>	<u>\$ 256,793,604</u>	<u>\$ 246,034,301</u>	<u>\$ 4,761,135</u>	<u>\$ 5,998,168</u>
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See independent auditors' report.

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City School District of New Rochelle, New York

Special Aid Fund  
Comparative Balance Sheet  
June 30,

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and equivalents	<u>\$ 961,675</u>	<u>\$ 378,419</u>
Receivables		
State and Federal aid	3,427,288	5,498,650
Due from other funds	<u>15,724,253</u>	<u>10,367,205</u>
	<u>19,151,541</u>	<u>15,865,855</u>
 Total Assets	 <u><u>\$ 20,113,216</u></u>	 <u><u>\$ 16,244,274</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 19,691,468	\$ 15,685,087
Accrued liabilities	361,095	419,191
Due to other funds	-	29,808
Unearned revenues	<u>60,653</u>	<u>110,188</u>
 Total Liabilities	 <u><u>\$ 20,113,216</u></u>	 <u><u>\$ 16,244,274</u></u>

See independent auditors' report.

**City School District of New Rochelle, New York**

**Special Aid Fund**

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

	2017			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
State aid	\$ 3,294,324	\$ 3,526,318	\$ 2,663,408	\$ (862,910)
Federal aid	6,041,296	6,780,712	5,373,069	(1,407,643)
Miscellaneous	970,633	858,789	626,431	(232,358)
 Total Revenues	 10,306,253	 11,165,819	 8,662,908	 (2,502,911)
<b>EXPENDITURES</b>				
Current				
Instruction	12,036,253	12,261,087	9,758,175	2,502,912
 Deficiency of Revenues Over Expenditures	 (1,730,000)	 (1,095,268)	 (1,095,267)	 1
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,730,000	1,095,268	1,095,267	(1)
 Net Change in Fund Balance	 -	 -	 -	 -
<b>FUND BALANCE</b>				
Beginning of Year	-	-	-	-
 End of Year	 \$ -	 \$ -	 \$ -	 \$ -

See independent auditors' report.



2016			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 3,180,083	\$ 3,189,048	\$ 3,015,461	\$ (173,587)
6,669,196	7,093,400	6,037,322	(1,056,078)
1,239,986	1,260,167	656,911	(603,256)
11,089,265	11,542,615	9,709,694	(1,832,921)
12,834,265	12,892,615	10,785,830	2,106,785
(1,745,000)	(1,350,000)	(1,076,136)	273,864
1,745,000	1,350,000	1,076,136	(273,864)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

**City School District of New Rochelle, New York**

Capital Projects Fund  
Comparative Balance Sheet  
June 30,

	2017	2016
<b>ASSETS</b>		
Cash and equivalents	\$ 2,807,626	\$ 1,404,499
Restricted investments	-	475,871
Receivables		
State and Federal aid	406,328	-
Due from other funds	3,018,279	177,640
	3,424,607	177,640
Total Assets	<u>\$ 6,232,233</u>	<u>\$ 2,058,010</u>
<b>LIABILITIES AND FUND DEFICIT</b>		
Liabilities		
Accounts payable	\$ 954,054	\$ 397,840
Bond anticipation notes payable	12,290,684	1,315,000
Due to other funds	396,847	631,937
Unearned revenues	-	95,252
Total Liabilities	13,641,585	2,440,029
Fund deficit		
Unassigned	(7,409,352)	(382,019)
Total Liabilities and Fund Deficit	<u>\$ 6,232,233</u>	<u>\$ 2,058,010</u>

See independent auditors' report.

**City School District of New Rochelle, New York**

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

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
State aid	\$ 1,695,918	\$ -
<b>EXPENDITURES</b>		
Capital outlay	<u>11,030,152</u>	<u>8,584,361</u>
Deficiency of Revenues Over Expenditures	(9,334,234)	(8,584,361)
<b>OTHER FINANCING SOURCES</b>		
Transfers in	<u>2,306,901</u>	<u>3,450,285</u>
Net Change in Fund Balance	(7,027,333)	(5,134,076)
<b>FUND BALANCE (DEFICIT)</b>		
Beginning of Year	<u>(382,019)</u>	<u>4,752,057</u>
End of Year	<u><u>\$ (7,409,352)</u></u>	<u><u>\$ (382,019)</u></u>

See independent auditors' report.

**City School District of New Rochelle, New York**

Capital Projects Fund  
Project-Length Schedule

Inception of Project Through June 30, 2017

Project	Authorization	Expenditures and Transfers to Date			Unexpended Balance
		Prior Years	Current Year	Total	
2012 District-Wide Improvements	\$ 862,386	\$ 759,235	\$ -	\$ 759,235	\$ 103,151
School Building Improvements	869,427	807,293	-	807,293	62,134
Emergency Plumbing Repairs	176,000	91,945	-	91,945	84,055
Energy Performance Contract	8,968,500	8,497,973	470,527	8,968,500	-
Webster Emergency Ceiling Repair	2,501,830	2,356,420	138,615	2,495,035	6,795
2016 District-Wide Improvements	104,196,990	518,455	7,991,786	8,510,241	95,686,749
2017 District-Wide Improvements	2,282,585	-	204,613	204,613	2,077,972
Emergency Sewage Project	175,000	-	110,157	110,157	64,843
Smart Schools Bond Act	3,527,277	-	1,506,625	1,506,625	2,020,652
Public Library Improvements	3,862,982	2,984,933	607,829	3,592,762	270,220
	<u>\$ 127,422,977</u>	<u>\$ 16,016,254</u>	<u>\$ 11,030,152</u>	<u>\$ 27,046,406</u>	<u>\$ 100,376,571</u>

See independent auditors' report.

Proceeds of Obligations	Methods of Financing			Fund Balance (Deficit) at June 30, 2017	Bond Anticipation Notes Payable at June 30, 2017
	State and Federal Aid	Transfers	Total		
\$ -	\$ -	\$ 759,235	\$ 759,235	\$ -	\$ -
-	-	869,427	869,427	62,134	-
-	-	176,000	176,000	84,055	-
8,968,500	-	-	8,968,500	-	-
-	-	2,501,830	2,501,830	6,795	-
-	-	-	-	(8,510,241)	11,000,000
-	-	2,172,428	2,172,428	1,967,815	-
-	-	110,157	110,157	-	-
-	1,507,179	-	1,507,179	554	-
2,209,316	188,739	174,243	2,572,298	(1,020,464)	1,290,684
<u>\$ 11,177,816</u>	<u>\$ 1,695,918</u>	<u>\$ 6,763,320</u>	<u>\$ 19,637,054</u>	<u>\$ (7,409,352)</u>	<u>\$ 12,290,684</u>

**City School District of New Rochelle, New York**

Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2017  
(With Comparative Totals for 2016)

	School Lunch	Public Library	Special Purpose	Debt Service
<b>ASSETS</b>				
Cash and equivalents	\$ 510,403	\$ 994,052	\$ 328,243	\$ 791,396
Receivables				
Accounts	53,435	-	-	-
State and Federal aid	-	9,349	-	-
Due from other funds	1,166,125	21,967	-	149,600
	1,219,560	31,316	-	149,600
Inventories	18,686	-	-	-
Prepaid expenditures	-	173,203	-	-
Total Assets	\$ 1,748,649	\$ 1,198,571	\$ 328,243	\$ 940,996
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 1,009,673	\$ 13,029	\$ 268	\$ -
Accrued liabilities	136,797	2,777	-	-
Due to other funds	476,845	3,040	-	21,049
Due to retirement systems	-	88,547	-	-
Unearned revenues	36,090	7,098	-	-
Total Liabilities	1,659,405	114,491	268	21,049
Fund balances				
Nonspendable	18,686	173,203	-	-
Restricted	-	104,460	327,975	644,947
Assigned	70,558	806,417	-	275,000
Total Fund Balances	89,244	1,084,080	327,975	919,947
Total Liabilities and Fund Balances	\$ 1,748,649	\$ 1,198,571	\$ 328,243	\$ 940,996

See independent auditors' report.

Total Non-Major Governmental Funds	
2017	2016
\$ 2,624,094	\$ 2,454,323
53,435	40,746
9,349	146,156
1,337,692	1,329,154
1,400,476	1,516,056
18,686	11,110
173,203	108,280
\$ 4,216,459	\$ 4,089,769
\$ 1,022,970	\$ 643,417
139,574	61,925
500,934	993,095
88,547	85,323
43,188	46,634
1,795,213	1,830,394
191,889	119,390
1,077,382	963,707
1,151,975	1,176,278
2,421,246	2,259,375
\$ 4,216,459	\$ 4,089,769

**City School District of New Rochelle, New York**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Non-Major Governmental Funds  
Year Ended June 30, 2017  
(With Comparative Totals for 2016)

	School Lunch	Public Library	Special Purpose	Debt Service
<b>REVENUES</b>				
Real property taxes	\$ -	\$ 4,916,352	\$ -	\$ -
Other tax items	-	33,269	-	-
Charges for services	-	56,171	-	-
Use of money and property	-	9,897	41	147,380
State aid	64,944	32,883	-	-
Federal aid	2,214,119	-	-	-
Food sales	692,314	-	-	-
Miscellaneous	-	73,575	2,472	-
Total Revenues	<u>2,971,377</u>	<u>5,122,147</u>	<u>2,513</u>	<u>147,380</u>
<b>EXPENDITURES</b>				
Current				
Instruction	-	-	15,163	-
Culture and recreation	-	4,924,783	-	-
Cost of food sales	3,339,773	-	-	-
Debt service				
Principal	-	70,000	-	-
Interest	-	75,907	-	-
Total Expenditures	<u>3,339,773</u>	<u>5,070,690</u>	<u>15,163</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(368,396)</u>	<u>51,457</u>	<u>(12,650)</u>	<u>147,380</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	368,396	-	-	-
Transfers out	<u>-</u>	<u>(24,316)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>368,396</u>	<u>(24,316)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	27,141	(12,650)	147,380
<b>FUND BALANCES</b>				
Beginning of Year	<u>89,244</u>	<u>1,056,939</u>	<u>340,625</u>	<u>772,567</u>
End of Year	<u>\$ 89,244</u>	<u>\$ 1,084,080</u>	<u>\$ 327,975</u>	<u>\$ 919,947</u>

See independent auditors' report.



Total Non-Major Governmental Funds	
2017	2016
\$ 4,916,352	\$ 4,798,767
33,269	58,896
56,171	62,969
157,318	20,588
97,827	181,628
2,214,119	2,326,914
692,314	646,684
76,047	130,366
<u>8,243,417</u>	<u>8,226,812</u>
15,163	16,226
4,924,783	5,162,417
3,339,773	3,415,951
70,000	70,000
75,907	78,238
<u>8,425,626</u>	<u>8,742,832</u>
<u>(182,209)</u>	<u>(516,020)</u>
368,396	-
<u>(24,316)</u>	<u>-</u>
344,080	-
161,871	(516,020)
<u>2,259,375</u>	<u>2,775,395</u>
<u>\$ 2,421,246</u>	<u>\$ 2,259,375</u>

City School District of New Rochelle, New York

School Lunch Fund  
Comparative Balance Sheet  
June 30,

	2017	2016
<b>ASSETS</b>		
Cash and equivalents	\$ 510,403	\$ 99,255
Receivables		
Accounts	53,435	40,746
State and Federal aid	-	144,993
Due from other funds	1,166,125	1,317,409
	1,219,560	1,503,148
Inventories	18,686	11,110
Total Assets	\$ 1,748,649	\$ 1,613,513
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 1,009,673	\$ 636,275
Accrued liabilities	136,797	59,102
Due to other funds	476,845	803,877
Unearned revenues	36,090	25,015
Total Liabilities	1,659,405	1,524,269
Fund balance		
Nonspendable	18,686	11,110
Assigned	70,558	78,134
Total Fund Balance	89,244	89,244
Total Liabilities and Fund Balance	\$ 1,748,649	\$ 1,613,513

See independent auditors' report.

**City School District of New Rochelle, New York**

**School Lunch Fund**

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

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Use of money and property	\$ -	\$ 2
State aid	64,944	64,750
Federal aid	2,214,119	2,326,179
Food sales	<u>692,314</u>	<u>646,684</u>
 Total Revenues	 2,971,377	 3,037,615
 <b>EXPENDITURES</b>		
Current		
Cost of food sales	<u>3,339,773</u>	<u>3,415,951</u>
 Deficiency of Revenues Over Expenditures	 (368,396)	 (378,336)
 <b>OTHER FINANCING SOURCES</b>		
Transfers in	<u>368,396</u>	<u>-</u>
 Net Change in Fund Balances	 -	 (378,336)
 <b>FUND BALANCE</b>		
Beginning of Year	<u>89,244</u>	<u>467,580</u>
 End of Year	<u><u>\$ 89,244</u></u>	<u><u>\$ 89,244</u></u>

See independent auditors' report.

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City School District of New Rochelle, New York

Public Library Fund  
Comparative Balance Sheet  
June 30,

	2017	2016
<b>ASSETS</b>		
Cash and equivalents	\$ 994,052	\$ 1,226,098
Receivables		
State and Federal aid	9,349	1,163
Due from other funds	21,967	6,401
	31,316	7,564
Prepaid expenditures	173,203	108,280
Total Assets	\$ 1,198,571	\$ 1,341,942
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 13,029	\$ 7,124
Accrued liabilities	2,777	2,823
Due to other funds	3,040	168,114
Due to retirement systems	88,547	85,323
Unearned revenues	7,098	21,619
Total Liabilities	114,491	285,003
Fund balance		
Nonspendable	173,203	108,280
Restricted	104,460	125,515
Assigned	806,417	823,144
Total Fund Balance	1,084,080	1,056,939
Total Liabilities and Fund Balance	\$ 1,198,571	\$ 1,341,942

See independent auditors' report.

**City School District of New Rochelle, New York**

Public Library Fund

Comparative Schedule of Revenues, Expenditures and

Changes in Fund Balance - Budget and Actual

Years Ended June 30,

	2017			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Real property taxes	\$ 4,939,484	\$ 4,939,484	\$ 4,916,352	\$ (23,132)
Other tax items	54,500	54,500	33,269	(21,231)
Charges for services	60,000	60,000	56,171	(3,829)
Use of money and property	9,000	9,000	9,897	897
State aid	22,000	123,487	32,883	(90,604)
Federal aid	-	65	-	(65)
Miscellaneous	125,615	174,878	73,575	(101,303)
Total Revenues	5,210,599	5,361,414	5,122,147	(239,267)
<b>EXPENDITURES</b>				
Current				
Culture and recreation	5,076,389	5,227,204	4,924,783	302,421
Debt service				
Principal				
Serial bonds	70,000	70,000	70,000	-
Interest				
Serial bonds	68,213	68,213	66,113	2,100
Bond anticipation notes	16,450	16,450	9,794	6,656
Tax anticipation notes	-	-	-	-
	84,663	84,663	75,907	8,756
Total Expenditures	5,231,052	5,381,867	5,070,690	311,177
Excess (Deficiency) of Revenues Over Expenditures	(20,453)	(20,453)	51,457	71,910
<b>OTHER FINANCING USES</b>				
Transfers out	(29,547)	(29,547)	(24,316)	5,231
Net Change in Fund Balance	(50,000)	(50,000)	27,141	77,141
<b>FUND BALANCE</b>				
Beginning of Year	50,000	50,000	1,056,939	1,006,939
End of Year	\$ -	\$ -	\$ 1,084,080	\$ 1,084,080

See independent auditors' report.

2016			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 4,815,408	\$ 4,815,408	\$ 4,798,767	\$ (16,641)
54,500	54,500	58,896	4,396
60,000	60,000	62,969	2,969
6,000	6,820	13,088	6,268
20,000	195,798	116,878	(78,920)
-	1,312	735	(577)
164,657	252,238	115,719	(136,519)
5,120,565	5,386,076	5,167,052	(219,024)
5,219,655	5,524,313	5,162,417	361,896
70,000	70,000	70,000	-
68,213	68,213	68,213	-
8,150	8,150	8,150	-
-	1,875	1,875	-
76,363	78,238	78,238	-
5,366,018	5,672,551	5,310,655	361,896
(245,453)	(286,475)	(143,603)	142,872
(29,547)	(29,547)	-	29,547
(275,000)	(316,022)	(143,603)	172,419
275,000	316,022	1,200,542	884,520
\$ -	\$ -	\$ 1,056,939	\$ 1,056,939

**City School District of New Rochelle, New York**

Special Purpose Fund  
Comparative Balance Sheet  
June 30,

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and equivalents	<u>\$ 328,243</u>	<u>\$ 340,643</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 268	\$ 18
Fund balance		
Restricted	<u>327,975</u>	<u>340,625</u>
Total Liabilities and Fund Balance	<u>\$ 328,243</u>	<u>\$ 340,643</u>

See independent auditors' report.



**City School District of New Rochelle, New York**

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

---

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Use of money and property	\$ 41	\$ 16
Miscellaneous	<u>2,472</u>	<u>14,647</u>
Total Revenues	2,513	14,663
<b>EXPENDITURES</b>		
Current		
Instruction	<u>15,163</u>	<u>16,226</u>
Deficiency of Revenues Over Expenditures	(12,650)	(1,563)
<b>FUND BALANCE</b>		
Beginning of Year	<u>340,625</u>	<u>342,188</u>
End of Year	<u>\$ 327,975</u>	<u>\$ 340,625</u>

See independent auditors' report.

**City School District of New Rochelle, New York**

Debt Service Fund  
Comparative Balance Sheet  
June 30,

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 791,396	\$ 788,327
Due from other funds	<u>149,600</u>	<u>5,344</u>
Total Assets	<u><u>\$ 940,996</u></u>	<u><u>\$ 793,671</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Due to other funds	<u>\$ 21,049</u>	<u>\$ 21,104</u>
Fund balance		
Restricted	644,947	497,567
Assigned	<u>275,000</u>	<u>275,000</u>
Total Fund Balance	<u>919,947</u>	<u>772,567</u>
Total Liabilities and Fund Balance	<u><u>\$ 940,996</u></u>	<u><u>\$ 793,671</u></u>

See independent auditors' report.

**City School District of New Rochelle, New York**

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

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Use of money and property	\$ 147,380	\$ 7,482
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	147,380	7,482
<b>FUND BALANCE</b>		
Beginning of Year	<u>772,567</u>	<u>765,085</u>
End of Year	<u>\$ 919,947</u>	<u>\$ 772,567</u>

See independent auditors' report.

**City School District of New Rochelle, New York****Internal Service Fund - Workers' Compensation Benefits  
Comparative Statement of Net Position  
June 30,**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 450,713	\$ 456,581
Due from other funds	<u>2,802,325</u>	<u>2,796,198</u>
Total Assets	<u>3,253,038</u>	<u>3,252,779</u>
<b>LIABILITIES</b>		
Current liabilities		
Claims payable	943,968	955,814
Non-current liabilities		
Claims payable	<u>1,482,248</u>	<u>1,301,468</u>
Total Liabilities	<u>2,426,216</u>	<u>2,257,282</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 826,822</u>	<u>\$ 995,497</u>

See independent auditors' report.

**City School District of New Rochelle, New York**

Internal Service Fund - Workers' Compensation Benefits  
Comparative Statement of Revenues, Expenses and  
Changes in Net Position  
Years Ended June 30,

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,088,712	\$ 1,190,290
<b>OPERATING EXPENSES</b>		
Employee benefits	<u>1,257,644</u>	<u>735,621</u>
Income (Loss) from Operations	(168,932)	454,669
<b>NON-OPERATING REVENUES</b>		
Interest income	<u>257</u>	<u>200</u>
Change in Net Position	(168,675)	454,869
<b>NET POSITION</b>		
Beginning of Year	<u>995,497</u>	<u>540,628</u>
End of Year	<u><u>\$ 826,822</u></u>	<u><u>\$ 995,497</u></u>

See independent auditors' report.

**City School District of New Rochelle, New York**

Internal Service Fund - Workers' Compensation Benefits  
Comparative Statement of Cash Flows  
Years Ended June 30,

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from charges to other funds	\$ 1,082,585	\$ 1,181,499
Cash payments to insurance carriers and claimants	<u>(1,088,710)</u>	<u>(1,190,489)</u>
Net Cash from Operating Activities	(6,125)	(8,990)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>257</u>	<u>200</u>
Net Change in Cash and Equivalents	(5,868)	(8,790)
<b>CASH AND EQUIVALENTS</b>		
Beginning of Year	<u>456,581</u>	<u>465,371</u>
End of Year	<u><u>\$ 450,713</u></u>	<u><u>\$ 456,581</u></u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Income (loss) from operations	\$ (168,932)	\$ 454,669
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Changes in assets and liabilities		
Due from other funds	(6,127)	(8,791)
Claims payable	<u>168,934</u>	<u>(454,868)</u>
Net Cash from Operating Activities	<u><u>\$ (6,125)</u></u>	<u><u>\$ (8,990)</u></u>

See independent auditors' report.

# City School District of New Rochelle, New York

## General Fund

### Analysis of Change from Adopted Budget to Final Budget

Year Ended June 30, 2017

Adopted Budget	\$ 253,685,636
Additions - Encumbrances	<u>2,109,075</u>
Original Budget	255,794,711
Budget Amendments	<u>998,893</u>
Final Budget	<u><u>\$ 256,793,604</u></u>

## General Fund

### Section 1318 of Real Property Tax Law Limit Calculation

2017-18 Expenditure Budget	<u>\$ 259,622,488</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted fund balance	
Assigned fund balance	5,294,955
Unassigned fund balance	<u>10,353,243</u>
Total Unrestricted Fund Balance	<u>15,648,198</u>
Less	
Appropriated for subsequent year's budget	533,820
Encumbrances	<u>4,761,135</u>
Total Adjustments	<u>5,294,955</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 10,353,243</u></u>
Actual Percentage	<u><u>3.99%</u></u>

See independent auditors' report.

**City School District of New Rochelle, New York**

**Schedule of Net Investment in Capital Assets**  
**Year Ended June 30, 2017**

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Capital Assets, net		\$ 112,317,742
Plus		
Unexpended debt proceeds	2,759,979	
Unamortized portion of loss on refunding bonds	<u>1,319,024</u>	4,079,003
Less		
Bonds payable - Capital construction	(33,790,000)	
Bond anticipation notes	(12,290,684)	
Energy performance contract	(12,541,691)	
Unamortized portion of issuance premium	<u>(1,436,181)</u>	<u>(60,058,556)</u>
Net Investment in Capital Assets		<u>\$ 56,338,189</u>

See independent auditors' report.



**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

**Independent Auditors' Report**

**The Board of Education of the  
City School District of New Rochelle, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City School District of New Rochelle, New York ("School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 26, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*PKF O'Connor Davies, LLP*

**PKF O'Connor Davies, LLP**

Harrison, New York

October 26, 2017

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

**Independent Auditors' Report**

**The Board of Education of the  
City School District of New Rochelle, New York**

**Report on Compliance for Each Major Federal Program**

We have audited the City School District of New Rochelle, New York's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2017. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

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

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

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

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

*PKF O'Connor Davies, LLP*

**PKF O'Connor Davies, LLP**

Harrison, New York

October 26, 2017



**City School District of New Rochelle, New York**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Sub- Recipients</u>	<u>Federal Program Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Indirect Programs - Passed through New York State Department of Education				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	10.553	N/A	\$ -	\$ 231,698
National School Lunch Program - Commodities	10.555	N/A	-	252,688
National School Lunch Program - Cash	10.555	N/A	-	1,727,462
Subtotal Child Nutrition Cluster			-	2,211,848
Indirect Program - Passed through New York State Department of Health				
Child and Adult Care Food Program	10.558		-	2,271
Total U.S. Department of Agriculture			-	2,214,119
<u>U.S. Department of Education</u>				
Direct Program				
Fund for the Improvement of Education	84.215	S215F130321-15	-	123,891
Indirect Programs - Passed through New York State Department of Education				
<i>Special Education Cluster (IDEA)</i>				
Special Education - Grants to States	84.027	0032-17-1078	-	2,535,558
Special Education - Preschool Grants	84.173	0033-17-1078	-	70,802
Subtotal Special Education Cluster			-	2,606,360
Title I Grants to Local Educational Agencies	84.010	0021-17-3750	-	2,171,514
Education for Homeless Children and Youth	84.196	0212-17-3062	-	15,491
Education for Homeless Children and Youth	84.196	0212-17-3015	-	14,333
			-	29,824
English Language Acquisition State Grants	84.365	0293-17-3750	-	121,837
English Language Acquisition State Grants	84.365	0149-17-3750	-	14,088
			-	135,925
Supporting Effective Instruction State Grant	84.367	0147-17-3750	-	305,555
Total U.S. Department of Education			-	5,373,069
Total Expenditures of Federal Awards			\$ -	\$ 7,587,188

(1) Catalog of Federal Domestic Assistance number.

N/A - Information not available.

The accompanying notes are an integral part of this schedule.

## **City School District of New Rochelle, New York**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

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### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City School District of New Rochelle, New York ("School District") under programs of the federal government for the year ended June 30, 2017. Federal awards received directly from the Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

### **Note 2 - Summary of Significant Accounting Policies**

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

**City School District of New Rochelle, New York**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017

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***Financial Statements***

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

Unmodified

Internal control over financial reporting:

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

\_\_\_\_ Yes      X   No  
\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements  
noted?

\_\_\_\_ Yes      X   No

***Federal Awards***

Internal control over major federal programs:

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

\_\_\_\_ Yes      X   No  
\_\_\_\_ Yes      X   None reported

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

Unmodified

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

\_\_\_\_ Yes      X   No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027  
84.173

Special Education Cluster (IDEA):  
Special Education - Grants to States  
Special Education - Preschool Grants

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

\$750,000  
  X   Yes    \_\_\_\_ No

**City School District of New Rochelle, New York**

Schedule of Findings and Questioned Costs (Concluded)  
Year Ended June 30, 2017

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**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None



**City School District of New Rochelle, New York**

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2017

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None