

City School District of New Rochelle, New York

Financial Statements and
Supplementary Information

Year Ended June 30, 2018

City School District of New Rochelle, New York

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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, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2018, and the respective changes in financial position and, 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.

Emphasis of Matter

We draw attention to Notes 2E and 3H in the notes to financial statements which disclose the effects of the School District's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2018 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2018.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the School District as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated October 26, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended June 30, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2017 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

November 14, 2018

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City School District of New Rochelle, New York

Management's Discussion and Analysis (MD&A)

June 30, 2018

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, 2018. 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 2017-2018 are as follows:

- The financial turnaround for the School District, which began in 2014-15, continued in fiscal year 2017-18.
- 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 the wake of a tragic off-campus fatality of a student, the Superintendent of Schools proposed an original 2018-19 budget that significantly increased the investment in safety and security and student support services. Because the property tax levy required in this proposal exceeded the New York State imposed Real Property Tax Cap limits, the budget was defeated. In a budget re-vote in June 2018, the community approved the 2018-19 budget with a 2.231% tax levy increase, an amount within the tax cap limitation. To remain within the real property tax cap limitation but recognizing the need to provide additional safety, security and support services, the Superintendent and Board of Education increased the reliance upon fund balance to offset the additional spending needs. Accordingly, this revised budget required the use of \$2.38 million of appropriated fund balance. With these initiatives, spending in this budget was increased 4.14% while investment in capital projects remained at \$2.4 million, the same amount contained in the adopted 2017-18 budget.
- In May 2016, the voters 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 ("BAN's"). To limit interest expenditures, additional debt was to be issued according to the expected cash flow needs of the project. During 2017-18, a second series of BAN's was issued in the amount of \$38 million. This amount included \$11 million to renew the outstanding notes and \$27 million for new money needs. A total of 4 bids were received and the total BAN's were issued at a net interest cost of 1.18%.
- The School District's General Fund reported unassigned fund balance at June 30, 2018 of \$10,815,246, an increase of \$462,003 from the amount reported at June 30, 2017. 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, while a minimal amount of \$533,820 (representing 0.21%) was used to balance the 2017-18 spending plan. By limiting the use of fund balance for the past three fiscal years, revenues match expenditures, efficient operations become more likely and the School District continues to progress.

- In May 2018, the voters approved the establishment of a Capital Reserve to fund the cost of the construction, reconstruction, renovation, expansion and equipping of School District buildings and other facilities, including original equipment, machinery, apparatus, appurtenances, furnishings and other incremental improvements in connection therewith, in an ultimate amount of \$10 million and having a probable term of twenty years. The School District was authorized to raise these funds in the current or future years through payments received by the School District from the "Fair Share Mitigation Fund" established pursuant to the City of New Rochelle, New York's zoning plan for the Downtown Overlay Zone and/or any other legally available funds of the School District. As of June 30, 2018, the School District has restricted \$311,236 for this purpose in the General Fund.
- Due to the fact that New York State froze the Foundation Aid formulas used to allocate state aid, the School District, for the 9th year in a row, has been short changed its fair share of state aid. Community outreach committees will be working with the New York State Legislature to address this state funding inequity. The School District would have received an additional \$21 million in state aid had the formula been in effect. The loss in aid since 2010-11 totals \$149.6 million.
- New York State law limits the amount of unassigned fund balance that can be retained by the General Fund to 4% 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 \$1.28 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 \$12.37 million, which included \$8.2 million for tax certiorari claims and \$0.2 million for unemployment benefits. For 2017-18, the School District was able to raise its reserves by 10%. As of June 30, 2018, 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 \$1,225,369 in outstanding BAN's previously issued for various improvements to the Public Library. As noted earlier, the School District also has \$38 million in BAN's outstanding on the \$106.5 million District-Wide Improvements capital projects. For the year, the School District retired approximately \$7.1 million of outstanding bonded indebtedness and \$958,483 in outstanding energy performance contract indebtedness.
- At June 30, 2018, the School District's governmental funds financial statement showed a combined ending fund balance of \$1,368,070, a decrease of \$21,663,689 compared to the previous year. The net decrease results primarily from a General Fund surplus of \$1,943,241 that was offset by a negative net change in fund balance in the Capital Projects Fund of \$24,027,955. The decrease in the fund balance of the Capital Projects Fund results largely from expenditures from Phase II of the \$106.5 million project, which were financed with BAN's. BAN's are not recognized as revenue until converted to permanent financing (i.e. serial bonds).

- On the district-wide financial statements, the liabilities and deferred inflows of resources of the School District exceeded assets and deferred outflows of resources at the close of its most recent fiscal year by \$222,917,801. 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. GASB Statement No. 75 went into effect this fiscal year and superseded GASB Statement No. 45. Under its provisions, this standard requires the School District to recognize the financial impact associated with other postemployment benefit ("OPEB") obligations. These obligations include any benefits provided to retirees, other than a pension, including health insurance, life insurance, vision, dental, etc. GASB Statement No. 75 redefined 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. As a result of adopting these standards, the district-wide financial statements reflect a cumulative effect for the change in accounting principle of \$(288,343,667). More detailed information about the School District's OPEB obligations reported in accordance with the provisions of GASB Statement No. 75 is presented in note 3H in the notes to financial statements.
- The district-wide financial statements for the year ended June 30, 2018 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, 2018, the School District reported in its Statement of Net Position a liability of \$2,381,016 for its proportionate share of the ERS net pension liability and \$5,351,622 for its proportionate share of the TRS net pension asset. More detailed information about the School District's pension plan reporting in accordance with the provisions of GASB Statement No. 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in note 3H in the notes to financial statements.
- The School District's total net position, as reflected in the district-wide financial statements, decreased by \$4,301,948 (exclusive of the cumulative effect of change in accounting principle for the adoption of the provisions of GASB Statement No. 75 noted above) . This was primarily the result of the current year's increase in the total OPEB liability, partially offset by a reduction in the net pension liabilities.

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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources exceeded by \$222,917,801.

Net Position

	June 30,	
	2018	2017
Current Assets	\$ 90,229,521	\$ 99,504,567
Capital Assets, net	132,438,166	112,317,742
Total Assets	222,667,687	211,822,309
Deferred Outflows of Resources	79,989,960	81,219,785
Current Liabilities	78,930,157	70,678,788
Long-term Liabilities	424,160,430	148,947,317
Total Liabilities	503,090,587	219,626,105
Deferred Inflows of Resources	22,484,861	3,688,175
Net Position		
Net Investment in Capital Assets	57,999,946	56,338,189
Restricted for		
Capital Projects	3,788,336	2,121,353
Future Capital Projects	311,236	-
Tax Certiorari	9,581,387	8,205,053
Retirement System Contributions	2,500,000	2,500,000
Unemployment Benefits	166,822	166,614
Debt Service	1,212,057	919,947
Workers' Compensation Benefits	1,002,926	826,822
Special Purposes	426,700	432,435
Unrestricted	(299,907,211)	(1,782,599)
Total Net Position	\$ (222,917,801)	\$ 69,727,814

A large component of the School District's net position (\$57,999,946) 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 \$18,989,464 of net position and are comprised of amounts set aside for specific purposes, i.e., payments of tax certioraris, debt service, workers' compensation, future capital projects etc. There is a negative balance of unrestricted net position of \$299,907,211 primarily a result of the recognition of the OPEB liabilities. Overall, net position decreased by \$4,301,948 from the prior year (exclusive of the cumulative effect of a change in accounting principle of \$(288,343,667) for the adoption of the provisions of GASB Statement No. 75), primarily from the recording of an increase in the OPEB liability caused by the change in the mandated discount rates and valuation assumption methods. See Note 3H in the notes to financial statements for a more detailed discussion.

Changes in Net Position

	June 30,	
	2018	2017
REVENUES		
Program Revenues		
Charges for Services	\$ 4,615,158	\$ 5,643,314
Operating Grants and Contributions	12,879,247	12,612,196
Capital Grants and Contributions	675,144	1,844,153
Total Program Revenues	<u>18,169,549</u>	<u>20,099,663</u>
General Revenues		
Real Property Taxes	188,179,203	186,546,339
Other Tax Items	21,951,313	23,381,953
Non-Property Taxes	2,869,221	2,315,205
Unrestricted Use of Money and Property	728,292	164,261
Sale of Property and Compensation for Loss	6,561	4,264
Unrestricted State Aid	41,655,720	40,701,480
Miscellaneous	2,107,438	1,453,815
Total General Revenues	<u>257,497,748</u>	<u>254,567,317</u>
Total Revenues	<u>275,667,297</u>	<u>274,666,980</u>
PROGRAM EXPENSES		
General Support	37,868,835	30,877,722
Instruction	212,311,825	211,156,461
Pupil Transportation	12,844,533	12,384,826
Culture and Recreation	8,644,148	13,263,567
Community Services	2,469	14,261
Cost of Food Sales	5,577,535	7,368,414
Interest	2,719,900	1,934,003
Total Expenses	<u>279,969,245</u>	<u>276,999,254</u>
Change in Net Position	<u>(4,301,948)</u>	<u>(2,332,274)</u>
NET POSITION		
Beginning, as reported	69,727,814	72,060,088
Cumulative Effect of Change in Accounting Principle	<u>(288,343,667)</u>	<u>-</u>
Beginning, as restated	<u>(218,615,853)</u>	<u>72,060,088</u>
Ending	<u>\$ (222,917,801)</u>	<u>\$ 69,727,814</u>

The major changes were as follows:

Cumulative Effect of Change in Accounting Principle –

- The recalculation of the OPEB liability required by GASB Statement No. 75 caused an adjustment to the opening net position in the amount of \$(288,343,667). See Note 3H in the notes to financial statements for a more detailed discussion.

Revenues:

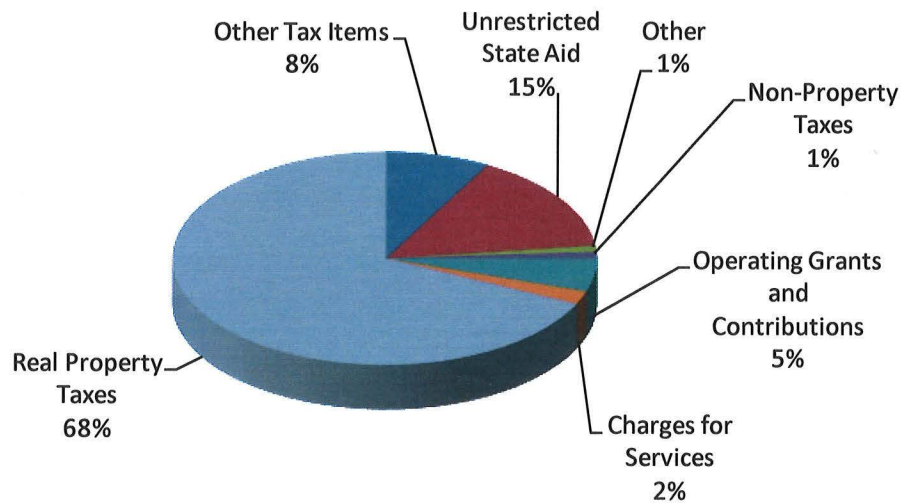
- Charges for services decreased by \$1,028,156. This was the result of an increase in the allowance for uncollectible amounts based on the increase in receivable balances in the current year as well as School District credits issued for uncollectible amounts.
- Capital grants and contributions decreased by \$1,169,009 primarily due to extinguishment of funds received under the New York State Smart Schools Bond Act program for technology enhancements in the prior year.
- Real property taxes increased by \$1,632,862. This was the result of a higher tax levy of 1.9%. The School District relies upon real property taxes as its primary revenue source.
- Other tax items decreased by \$1,430,640 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 increased by \$554,016 as a result of an increase in utility gross receipts tax revenues due to higher energy prices.
- Unrestricted State aid increased by \$954,240 from the prior year, primarily due to the increase in the allocation of the foundation formula aid from the State.

Expenses:

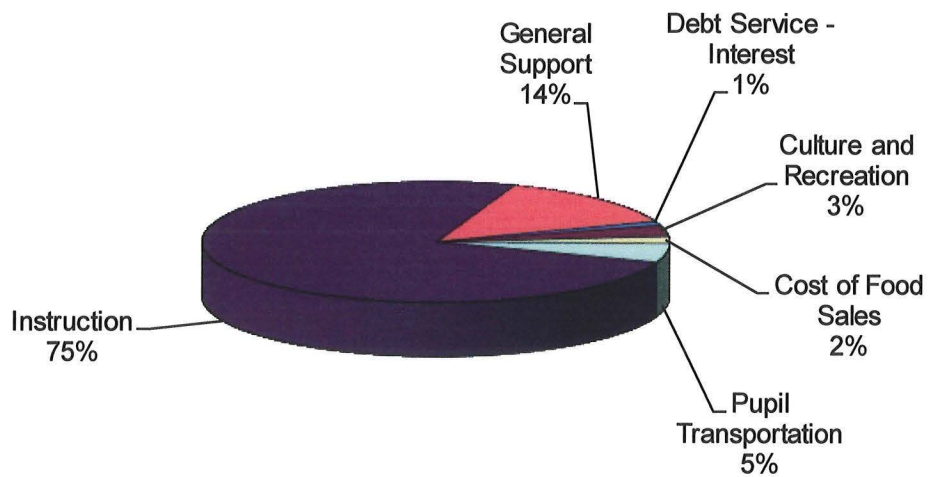
- General government support expenses at \$37,868,835 increased from \$30,877,722 in 2016-17. The increase was driven primarily by an increase in tax certiorari claims, along with an increase in the allocation of the OPEB obligation and employee benefits.
- Instruction expenses at \$212,311,825 increased from \$211,156,461 in 2016-17. The increase is primarily attributable to contractual salary increases and increased special education costs.

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 (69%) as its primary revenue source, while the School District's largest expense, instruction costs, account for 75% of total expenses.

Sources of Revenue for Fiscal Year 2018
Governmental Activities



Expenses for Fiscal Year 2018
Governmental Activities



Financial Analysis of the School District's Funds

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

Fund Balance Reporting

GASB issued Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" in February 2009. The requirements of 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 \$1,368,070, a decrease of \$21,663,689 from the prior year. Exclusive of the Capital Projects Fund, total fund balance aggregates \$32,805,377. Of this amount, \$225,676 is in nonspendable form (\$214,991 for prepaid expenditures and \$10,685 for inventories) while \$15,286,570 is restricted for various purposes: \$9,581,387 for tax certiorari obligations, \$166,822 for unemployment benefit purposes, \$2,500,000 for retirement system contributions, \$1,088,368 for employee benefit accrued liabilities,

\$1,212,057 for debt service purposes, \$311,236 for future capital projects and \$426,700 for special purposes. Another \$6,477,885 of the total fund balance is assigned to fund: purchases on order (\$4,060,963), the subsequent year's budget (\$1,400,145), to be set aside for School Lunch Fund purposes (\$78,559) and Public Library Fund purposes (\$938,218). The remainder of the total fund balance of \$10,815,246 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 \$29,963,106. This represents an increase of \$1,943,241 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 3K in the notes to financial statements.

General Fund Budgetary Highlights – 2017-2018

The original, voter approved adopted budget of \$259,622,488 was increased by \$4,761,135 as a result of the rollover of prior year encumbrances for a total original budget of \$264,383,623. The budget was further revised during the 2017-18 fiscal year by a total of \$2,279,355 from: the appropriation of fund balance from the tax certiorari restriction to fund claims, \$1,867,723 and the appropriation to pay compensated absences, \$411,632. As a result, the final budget totaled \$266,662,978.

Revenues and other financing sources fell short of budgetary expectations by \$1,944,636. Real property taxes were \$1,171,224 under anticipated collection due to STAR reimbursement decrease and current year tax refunds. Health services for other districts also fell short of expectations by \$ 841,822 while State and Federal aid came in \$545,400 less than expected. These negative results were partially offset by higher than expected revenues from payments in lieu of taxes in the amount of \$328,009. Interest and penalties were better than anticipated by \$202,262. Day school tuition from third parties exceeded budgetary estimates by \$81,935. Earnings on investments exceeded budgetary expectations by \$638,304 due to rising interest rates and greater fund balance.

Expenditures and other financing uses reflect a positive variance of \$7,389,644, or 2.77%, of the final budget with savings primarily generated in the areas of central services, instruction, transportation and employee benefits. The final budget anticipated utilizing \$7,562,730 of fund balance. Actual results of operations did not utilize any of these funds but actually added \$1,943,241. Consequently, after taking into consideration the rollover of \$4,060,963 of purchase orders to the 2018-19 fiscal year, the total budget surplus was \$5,445,008.

Capital Assets

As of June 30, 2018, the School District had \$132,438,166 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,	
	2018	2017
Land	\$ 176,500	\$ 176,500
Construction-in-Progress	35,557,381	9,667,585
Buildings and Improvements	96,159,531	102,166,712
Machinery and Equipment	544,754	306,945
Total Capital Assets, net of accumulated depreciation	<u>\$ 132,438,166</u>	<u>\$ 112,317,742</u>

The increase in capital assets during the current fiscal year results from capital outlay for the continuation of the \$106 million District-Wide Improvements project.

More detailed information about the School District's capital assets is presented in note 3D 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,	
	2018	2017
Bonds Payable	\$ 33,477,366	\$ 41,111,181
Energy Performance Contract		
Debt Payable	11,583,208	12,541,691
Claims Payable	2,316,222	2,426,216
Compensated Absences	5,135,654	5,871,481
Net Pension Liability	2,381,016	14,638,373
Other Post Employment		
Benefit Obligations Payable	<u>369,266,964</u>	<u>72,358,375</u>
 Total	 <u>\$ 424,160,430</u>	 <u>\$ 148,947,317</u>

The claims payable amount includes workers' compensation claims that will become payable over the next few years. The School District retired \$7,155,000 in outstanding long-term bonded indebtedness and \$958,483 of energy performance contract obligations during the year. While the School District's net pension liability decreased by \$12,257,357 (as TRS became a net pension asset in the current year), the liability for other postemployment benefit obligations was recorded in accordance with the provisions of GASB Statement No. 75 for the first time at June 30, 2018 (thus accounting for the substantial increase in this liability from the prior year). This liability 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 for health insurance.

More detailed information about the School District's long-term liabilities is presented in note 3H 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, 2018

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 56,925,222
Receivables	
Taxes	3,678,523
Accounts	5,991,941
State and Federal aid	9,381,477
Due from other governments, net	8,675,060
Inventories	10,685
Net pension asset	5,351,622
Prepaid expenses	214,991
Capital assets	
Not being depreciated	35,733,881
Being depreciated, net	96,704,285
Total Assets	<u>222,667,687</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>79,989,960</u>
LIABILITIES	
Accounts payable	12,688,191
Accrued liabilities	12,661,309
Bond anticipation notes payable	39,225,369
Due to retirement systems	13,124,181
Unearned revenues	110,120
Accrued interest payable	1,120,987
Non-current liabilities	
Due within one year	9,911,083
Due in more than one year	414,249,347
Total Liabilities	<u>503,090,587</u>
DEFERRED INFLOWS OF RESOURCES	<u>22,484,861</u>
NET POSITION	
Net investment in capital assets	57,999,946
Restricted	
Capital projects	3,788,336
Future capital projects	311,236
Tax certiorari	9,581,387
Retirement system contributions	2,500,000
Unemployment benefits	166,822
Debt service	1,212,057
Workers' compensation benefits	1,002,926
Special purposes	426,700
Unrestricted	<u>(299,907,211)</u>
Total Net Position	<u><u>\$ (222,917,801)</u></u>

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, 2018

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General support	\$ 37,868,835	\$ 113,160	\$ 10,464	\$ -	\$ (37,745,211)
Instruction	212,311,825	3,815,587	10,412,673	-	(198,083,565)
Pupil transportation	12,844,533	-	-	-	(12,844,533)
Culture and recreation	8,644,148	50,927	200,507	107,608	(8,285,106)
Community services	2,469	-	-	-	(2,469)
Cost of food sales	5,577,535	635,484	2,255,603	-	(2,686,448)
Interest	2,719,900	-	-	567,536	(2,152,364)
Total Governmental Activities	<u>\$ 279,969,245</u>	<u>\$ 4,615,158</u>	<u>\$ 12,879,247</u>	<u>\$ 675,144</u>	<u>(261,799,696)</u>
General revenues					
Real property taxes					188,179,203
Other tax items					
School tax relief reimbursement					19,941,728
Payments in lieu of taxes					1,527,323
Interest and penalties on real property taxes					482,262
Non-property taxes					
Utility gross receipts tax					2,869,221
Unrestricted use of money and property					728,292
Sale of property and compensation for loss					6,561
Unrestricted State aid					41,655,720
Miscellaneous					2,107,438
Total General Revenues					<u>257,497,748</u>
Change in Net Position					<u>(4,301,948)</u>
Net Position - Beginning, as reported					69,727,814
Cumulative Effect of Change in Accounting Principle					<u>(288,343,667)</u>
Net Position - Beginning, as restated					<u>(218,615,853)</u>
Net Position - Ending					<u>\$ (222,917,801)</u>

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, 2018

	General	Special Aid	Capital Projects
ASSETS			
Cash and equivalents	\$ 52,675,591	\$ 13,027	\$ 470,445
Receivables			
Taxes	3,678,523	-	-
Accounts	5,965,451	-	-
State and Federal aid	5,073,659	4,166,690	-
Due from other governments, net of allowance for uncollectible amounts of \$3,259,975	8,675,060	-	-
Due from other funds	1,081,925	476,845	8,339,143
Inventories	-	-	-
Prepaid expenditures	38,939	-	-
Total Assets	<u>\$ 77,189,148</u>	<u>\$ 4,656,562</u>	<u>\$ 8,809,588</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 6,129,471	\$ 4,174,138	\$ 100,111
Accrued liabilities	12,167,395	426,771	-
Bond anticipation notes	-	-	39,225,369
Due to other funds	13,504,703	-	921,415
Due to retirement systems	13,042,962	-	-
Unearned revenues	-	55,653	-
Total Liabilities	44,844,531	4,656,562	40,246,895
Deferred inflows of resources			
Deferred tax revenues	2,381,511	-	-
Total Liabilities and Deferred Inflows of Resources	<u>47,226,042</u>	<u>4,656,562</u>	<u>40,246,895</u>
Fund balances (deficits)			
Nonspendable	38,939	-	-
Restricted	13,647,813	-	-
Assigned	5,461,108	-	-
Unassigned	10,815,246	-	(31,437,307)
Total Fund Balances (Deficits)	<u>29,963,106</u>	<u>-</u>	<u>(31,437,307)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 77,189,148</u>	<u>\$ 4,656,562</u>	<u>\$ 8,809,588</u>

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

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ 3,311,397	\$ 56,470,460
-	3,678,523
26,490	5,991,941
141,128	9,381,477
-	8,675,060
3,261,312	13,159,225
10,685	10,685
176,052	214,991
<u>\$ 6,927,064</u>	<u>\$ 97,582,362</u>
\$ 2,284,471	\$ 12,688,191
67,143	12,661,309
-	39,225,369
1,597,493	16,023,611
81,219	13,124,181
54,467	110,120
<u>4,084,793</u>	<u>93,832,781</u>
-	2,381,511
<u>4,084,793</u>	<u>96,214,292</u>
186,737	225,676
1,638,757	15,286,570
1,016,777	6,477,885
-	(20,622,061)
<u>2,842,271</u>	<u>1,368,070</u>
<u>\$ 6,927,064</u>	<u>\$ 97,582,362</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, 2018

Fund Balances - Total Governmental Funds	\$ 1,368,070
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.	132,438,166
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	943,683
Deferred amounts on net pension assets (liabilities)	56,561,416
	57,505,099
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Net pension assets	5,351,622
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes	2,381,511
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.	1,002,926
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(1,120,987)
Bonds payable	(33,477,366)
Energy performance contract payable	(11,583,208)
Compensated absences	(5,135,654)
Net pension liability	(2,381,016)
Other postemployment benefit obligations payable	(369,266,964)
	(422,965,195)
Net Position of Governmental Activities	\$ (222,917,801)

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, 2018

	General	Special Aid	Capital Projects
REVENUES			
Real property taxes	\$ 183,328,690	\$ -	\$ -
Other tax items	21,913,112	-	-
Non-property taxes	2,869,221	-	-
Charges for services	2,658,531	-	-
Use of money and property	851,464	-	-
Sale of property and compensation for loss	6,561	-	-
State aid	42,786,510	2,683,305	107,608
Federal aid	223,884	5,886,760	-
Food sales	-	-	-
Miscellaneous	2,242,639	341,838	-
Total Revenues	256,880,612	8,911,903	107,608
EXPENDITURES			
Current			
General support	33,618,930	-	-
Instruction	142,288,809	9,784,866	-
Pupil transportation	13,296,242	-	-
Culture and recreation	-	-	-
Community services	2,469	-	-
Employee benefits	52,155,810	-	-
Cost of food sales	-	-	-
Debt service			
Principal	8,043,483	-	-
Interest	1,869,583	-	-
Capital outlay	-	-	26,634,503
Total Expenditures	251,275,326	9,784,866	26,634,503
Excess (Deficiency) of Revenues Over Expenditures	5,605,286	(872,963)	(26,526,895)
OTHER FINANCING SOURCES (USES)			
Issuance premium	-	-	-
Transfers in	275,000	872,963	2,498,940
Transfers out	(3,937,045)	-	-
Total Other Financing Sources (Uses)	(3,662,045)	872,963	2,498,940
Net Change in Fund Balances	1,943,241	-	(24,027,955)
FUND BALANCES (DEFICITS)			
Beginning of Year	28,019,865	-	(7,409,352)
End of Year	\$ 29,963,106	\$ -	\$ (31,437,307)

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

Non-Major Governmental	Total Governmental Funds
\$ 5,261,511	\$ 188,590,201
38,201	21,951,313
-	2,869,221
50,927	2,709,458
78,276	929,740
-	6,561
94,167	45,671,590
2,195,541	8,306,185
635,484	635,484
165,907	2,750,384
8,520,014	274,420,137
-	33,618,930
16,450	152,090,125
-	13,296,242
5,197,456	5,197,456
-	2,469
-	52,155,810
3,521,544	3,521,544
70,000	8,113,483
84,331	1,953,914
-	26,634,503
8,889,781	296,584,476
(369,767)	(22,164,339)
500,650	500,650
630,457	4,277,360
(340,315)	(4,277,360)
790,792	500,650
421,025	(21,663,689)
2,421,246	23,031,759
\$ 2,842,271	\$ 1,368,070

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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, 2018**

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

Net Change in Fund Balances - Total Governmental Funds	\$ (21,663,689)
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	27,035,105
Depreciation expense	<u>(6,914,681)</u>
	20,120,424
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>(410,998)</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	7,155,000
Principal paid on energy performance contract debt	958,483
Amortization of loss on refunding bonds and issuance premium	<u>103,474</u>
	8,216,957
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	(869,460)
Compensated absences	735,827
Pension assets (liability)	(2,042,191)
Other postemployment benefit obligations	<u>(8,564,922)</u>
	(10,740,746)
The net revenue of activities of the Internal Service Fund is reported within the governmental activities	
	<u>176,104</u>
Change in Net Position of Governmental Activities	<u>\$ (4,301,948)</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, 2018

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 184,499,914	\$ 184,499,914	\$ 183,328,690	\$ (1,171,224)
Other tax items	21,382,841	21,382,841	21,913,112	530,271
Non-property taxes	3,415,980	3,415,980	2,869,221	(546,759)
Charges for services	3,460,682	3,460,682	2,658,531	(802,151)
Use of money and property	258,316	258,316	851,464	593,148
Sale of property and compensation for loss	131,640	131,640	6,561	(125,079)
State aid	43,055,794	43,055,794	42,786,510	(269,284)
Federal aid	500,000	500,000	223,884	(276,116)
Miscellaneous	2,108,501	2,120,081	2,242,639	122,558
Total Revenues	258,813,668	258,825,248	256,880,612	(1,944,636)
EXPENDITURES				
Current				
General support	31,470,371	37,776,963	33,618,930	4,158,033
Instruction	145,259,854	145,999,465	142,288,809	3,710,656
Pupil transportation	13,970,882	14,088,983	13,296,242	792,741
Community services	2,469	2,469	2,469	-
Employee benefits	59,216,871	54,230,278	52,155,810	2,074,468
Debt service				
Principal	8,043,483	8,043,483	8,043,483	-
Interest	1,966,068	1,966,068	1,869,583	96,485
Total Expenditures	259,929,998	262,107,709	251,275,326	10,832,383
Excess (Deficiency) of Revenues Over Expenditures	(1,116,330)	(3,282,461)	5,605,286	8,887,747
OTHER FINANCING SOURCES (USES)				
Transfers in	275,000	275,000	275,000	-
Transfers out	(4,453,625)	(4,555,269)	(3,937,045)	618,224
Total Other Financing Sources (Uses)	(4,178,625)	(4,280,269)	(3,662,045)	618,224
Net Change in Fund Balances	(5,294,955)	(7,562,730)	1,943,241	9,505,971
FUND BALANCES				
Beginning of Year	5,294,955	7,562,730	28,019,865	20,457,135
End of Year	\$ -	\$ -	\$ 29,963,106	\$ 29,963,106

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)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,555,213	2,683,338	2,683,305	(33)
6,519,968	6,767,105	5,886,760	(880,345)
488,632	512,458	341,838	(170,620)
9,563,813	9,962,901	8,911,903	(1,050,998)
-	-	-	-
11,033,813	11,432,901	9,784,866	1,648,035
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
11,033,813	11,432,901	9,784,866	1,648,035
(1,470,000)	(1,470,000)	(872,963)	597,037
1,470,000	1,470,000	872,963	(597,037)
-	-	-	-
1,470,000	1,470,000	872,963	(597,037)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

City School District of New Rochelle, New York

Internal Service Fund - Workers' Compensation Benefits

Statement of Net Position

June 30, 2018

ASSETS

Cash and equivalents	\$ 454,762
Due from other funds	<u>2,864,386</u>
Total Assets	<u>3,319,148</u>

LIABILITIES

Current liabilities	
Claims payable	990,859
Non-current liabilities	
Claims payable	<u>1,325,363</u>
Total Liabilities	<u>2,316,222</u>

NET POSITION

Unrestricted	<u><u>\$ 1,002,926</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, 2018

OPERATING REVENUES

Charges for services	\$ 1,157,056
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OPERATING EXPENSES

Employee benefits	<u>981,404</u>
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Income from Operations	175,652
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NON-OPERATING REVENUES

Interest income	<u>452</u>
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Change in Net Position	176,104
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NET POSITION

Beginning of Year	<u>826,822</u>
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End of Year	<u><u>\$ 1,002,926</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from charges to other funds	\$ 1,094,995
Cash payments to insurance carriers and claimants	<u>(1,091,398)</u>

Net Cash from Operating Activities 3,597

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>452</u>
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Net Change in Cash and Equivalents 4,049

CASH AND EQUIVALENTS

Beginning of Year	<u>450,713</u>
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End of Year	<u><u>\$ 454,762</u></u>
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RECONCILIATION OF INCOME FROM OPERATIONS TO NET

CASH FROM OPERATING ACTIVITIES

Income from operations	\$ 175,652
------------------------	------------

Adjustments to reconcile income from operations to
net cash from operating activities

Changes in assets and liabilities	
Due from other funds	(62,061)
Claims payable	<u>(109,994)</u>

Net Cash from Operating Activities \$ 3,597

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, 2018

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 1,152,268
Accounts receivable	<u>217,658</u>
 Total Assets	 <u><u>\$ 1,369,926</u></u>
 LIABILITIES	
Accounts payable	\$ 238,068
Escrow deposits	116,128
Employee payroll deductions	616,820
Student activity funds	<u>398,910</u>
 Total Liabilities	 <u><u>\$ 1,369,926</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 short-term investments with original maturities of less than three months from the date of acquisition.

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

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 custodial credit risk is described in Note 3A.

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, exclusive of amounts legally restrained or prohibited.

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, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

<u>Class</u>	<u>Life in Years</u>
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 \$39,131 for student meal monies received in advance in the School Lunch Fund and \$55,653 and \$15,336 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.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
New York State Teachers' Retirement System	\$ 70,273,531	\$ 14,784,365
New York State and Local Employees' Retirement System	8,772,746	7,700,496
Deferred Loss on Refunding Bonds	943,683	-
	<u>\$ 79,989,960</u>	<u>\$ 22,484,861</u>

Note 1 - Summary of Significant Accounting Policies (Continued)

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

The School District reported deferred inflows of resources of \$2,381,511 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 3H.

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. 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, future capital projects, tax certiorari, retirement system contributions, unemployment benefits, debt service, workers' compensation benefits and special purposes. The balance is classified as unrestricted.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Education for amounts assigned for balancing the 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 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 November 14, 2018.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

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

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

Note 2 - Stewardship, Compliance and Accountability (Continued)

- 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.
- 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.

Note 2 - Stewardship, Compliance and Accountability (Continued)

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 Webster Emergency Ceiling Repair (\$46,313), Smart Schools Bond Act (\$48,001), Public Library Improvements (\$1,042,076) and 2016 District-Wide Improvements (\$34,089,253), capital projects arise in-part 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. Other deficits, where no bond anticipation notes were issued or outstanding to the extent of the deficits, arise because of expenditures exceeding current financing on the projects. These deficits will be eliminated with the subsequent receipt or issuance of authorized financing.

E. Cumulative Effect of Change in Accounting Principle

For the year ended June 30, 2018, the School District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB)". This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governments by establishing standards for recognizing and measuring liabilities, deferred outflows/inflows of resources and expenses/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to the periods of employee service. As a result of adopting these standards, the district-wide financial statements reflect a cumulative effect for the change in accounting principle of \$(288,343,667).

Note 3 - Detailed Notes on All Funds

A. Cash and Equivalents

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. As of June 30, 2018, \$14,466 of the School District's bank balance of \$76,463,340 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 14,466</u>
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City School District of New Rochelle, New York

Notes to Financial Statements (Continued)
 June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)**B. Taxes Receivable**

Taxes receivable at June 30, 2018 consisted of the following:

Current year	\$ 2,744,613
Prior years	<u>933,910</u>
	<u>\$ 3,678,523</u>

C. Due From/To Other Funds

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

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 1,081,925	\$ 13,504,703
Special Aid	476,845	-
Capital Projects	8,339,143	921,415
Non-Major		
Governmental	3,261,312	1,597,493
Internal Service	2,864,386	-
	<u>\$ 16,023,611</u>	<u>\$ 16,023,611</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.

D. Capital Assets

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

<u>Class</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Balance June 30, 2018</u>
Capital Assets, not being depreciated:			
Land	\$ 176,500	\$ -	\$ 176,500
Construction-in-Progress	<u>9,667,585</u>	<u>25,889,796</u>	<u>35,557,381</u>
Total Capital Assets, not being depreciated	<u>\$ 9,844,085</u>	<u>\$ 25,889,796</u>	<u>\$ 35,733,881</u>

City School District of New Rochelle, New York

Notes to Financial Statements (Continued)

June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

<u>Class</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Balance June 30, 2018</u>
Capital Assets, being depreciated:			
Buildings and Improvements	\$ 223,852,483	\$ 744,707	\$ 224,597,190
Machinery and Equipment	1,356,427	400,602	1,757,029
Total Capital Assets, being depreciated	225,208,910	1,145,309	226,354,219
Less Accumulated Depreciation for:			
Buildings and Improvements	121,685,771	6,751,888	128,437,659
Machinery and Equipment	1,049,482	162,793	1,212,275
Total Accumulated Depreciation	122,735,253	6,914,681	129,649,934
Total Capital Assets, being depreciated, net	\$ 102,473,657	\$ (5,769,372)	\$ 96,704,285
Capital Assets, net	\$ 112,317,742	\$ 20,120,424	\$ 132,438,166

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

General Support	\$ 134,337
Instruction	6,678,207
Cost of Food Sales	7,652
Culture and Recreation	94,485
Total Depreciation Expense	\$ 6,914,681

E. Accrued Liabilities

Accrued liabilities at June 30, 2018 were as follows:

	<u>Fund</u>			
	<u>General</u>	<u>Special Aid</u>	<u>Non-Major Governmental</u>	<u>Total</u>
Payroll and Employee Benefits	\$ 12,000,543	\$ 426,771	\$ 67,143	\$ 12,494,457
Other	166,852	-	-	166,852
	\$ 12,167,395	\$ 426,771	\$ 67,143	\$ 12,661,309

City School District of New Rochelle, New York

Notes to Financial Statements (Continued)
June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

F. 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 2017-2018 fiscal year.

Purpose	Original Issue Date	Rate of Interest	Maturity Date	Balance July 1, 2017	Issued	Redemptions	Balance June 30, 2018
Tax Anticipation Note	9/29/2017	1.35%	6/29/2018	\$ -	\$ 10,000,000	\$ 10,000,000	\$ -

Interest expenditures of \$93,516 and \$7,734 respectively, was recorded in the fund financial statements in the General and Library Funds. Interest expense of \$101,250 was recorded in the district-wide financial statements.

G. 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, 2017	Issued	Redemptions	Balance June 30, 2018
Public Library Improvements	9/25/2014	1.24%	7/13/2018	\$ 790,684	\$ -	\$ 25,563	\$ 765,121
Public Library Improvements	5/13/2016	1.24%	7/13/2018	500,000	-	39,752	460,248
2016 District-Wide Improvements	8/3/2016	2.50%	7/13/2018	11,000,000	27,000,000	-	38,000,000
				<u>\$ 12,290,684</u>	<u>\$ 27,000,000</u>	<u>\$ 65,315</u>	<u>\$ 39,225,369</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 \$234,438 and \$12,584 respectively, was recorded in the fund financial statements in the General and Library Funds. Interest expense of \$1,162,262 was recorded in the district-wide financial statements.

City School District of New Rochelle, New York

Notes to Financial Statements (Continued)

June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

H. Long-Term Liabilities

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

	Balance as Reported July 1, 2017	Cumulative Effect of Change in Accounting Principle*	Balance as Restated July 1, 2017	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2018	Due Within One-Year
Bonds Payable:							
Capital construction	\$ 33,790,000	\$ -	\$ 33,790,000	\$ -	\$ 6,080,000	\$ 27,710,000	\$ 6,345,000
Judgments and claims	5,885,000	-	5,885,000	-	1,075,000	4,810,000	1,080,000
	39,675,000	-	39,675,000	-	7,155,000	32,520,000	7,425,000
Plus - Unamortized premium on bonds	1,436,181	-	1,436,181	-	478,815	957,366	-
	41,111,181	-	41,111,181	-	7,633,815	33,477,366	7,425,000
Energy Performance Contract Payable	12,541,691	-	12,541,691	-	958,483	11,583,208	981,224
Other Non-Current Liabilities:							
Claims Payable	2,426,216	-	2,426,216	1,021,536	1,131,530	2,316,222	990,859
Compensated Absences	5,871,481	-	5,871,481	-	735,827	5,135,654	514,000
Net Pension Liability	14,638,373	-	14,638,373	-	12,257,357	2,381,016	-
Other Post-Employment Benefits Obligations	72,358,375	288,343,667	360,702,042	16,898,425	8,333,503	369,266,964	-
Total Other Non- Current Liabilities	95,294,445	288,343,667	383,638,112	17,919,961	22,458,217	379,099,856	1,504,859
Total Long-Term Liabilities	<u>\$ 148,947,317</u>	<u>\$ 288,343,667</u>	<u>\$ 437,290,984</u>	<u>\$ 17,919,961</u>	<u>\$ 31,050,515</u>	<u>\$ 424,160,430</u>	<u>\$ 9,911,083</u>

*See Note 2E

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, 2018 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rate	Amount Outstanding at June 30, 2018
District-Wide Construction	2009	\$ 12,503,670	November, 2024	3.5 - 4.0 %	\$ 6,390,000
Refunding Bonds	2009	25,575,000	December, 2019	3.5 - 5.0	5,985,000
Tax Certiorari	2010	5,000,000	December, 2019	5.0	1,225,000
Refunding Bonds	2011	6,060,000	December, 2019	5.0	1,930,000
Refunding Bonds	2012	17,685,000	September, 2024	2.0 - 4.0	11,695,000
Library Construction Bonds	2014	1,989,526	January, 2036	3.0 - 4.0	1,710,000
Tax Certiorari	2015	5,000,000	June, 2025	4.0	3,585,000
					<u>\$ 32,520,000</u>

City School District of New Rochelle, New York

Notes to Financial Statements (Continued)

June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Interest expenditure of \$1,254,763 and \$64,013, respectively, was recorded in the fund financial statements in the General and Library Funds. Interest expense of \$1,169,522 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, 2018 was \$3,880,153.

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, 2018 was \$7,703,055.

Interest expenditures/expense of \$286,866 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, 2018 including interest payments of \$5,067,991 are as follows:

Year Ending June 30,	Bonds		Energy Performance Contracts		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	3,235,000	311,200	1,077,748	167,601	4,312,748	478,801
2024-2028	6,985,000	452,006	5,009,136	451,588	11,994,136	903,594
2029-2033	525,000	140,000	1,429,483	39,852	1,954,483	179,852
2034-2036	375,000	30,400	-	-	375,000	30,400
	<u>\$ 32,520,000</u>	<u>\$ 3,494,394</u>	<u>\$ 11,583,208</u>	<u>\$ 1,573,597</u>	<u>\$ 44,103,208</u>	<u>\$ 5,067,991</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,	
	2018	2017
Balance - Beginning of Year	\$ 2,426,216	\$ 2,257,282
Provision for Claims and Claims Adjustment Expenses	1,021,536	1,089,211
Claims and Claims Adjustment Expenses Paid	(1,131,530)	(920,277)
Balance - End of Year	\$ 2,316,222	\$ 2,426,216
Due Within One Year	\$ 990,859	\$ 943,968

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

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

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

Note 3 - Detailed Notes on All Funds (Continued)

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

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

ERS and TRS are noncontributory for employees who joined the systems before July 27, 1976. Employees who joined the systems after July 27, 1976 and before January 1, 2010 contribute 3% of their salary for the first ten years of membership. Employees who joined the systems after January 1, 2010 generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31. Pursuant to Article 11 of the Education Law of the State of New York, actuarially determined employer contributions are established annually for the TRS by its Board of Trustees. The employer contribution rates for the plans' year ending in 2018 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	1 75I	21.7 %
	3 A15	16.1
	4 A15	16.1
	5 A15	13.2
	6 A15	9.4
TRS	1-6	9.8 %

City School District of New Rochelle, New York

Notes to Financial Statements (Continued)
June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Net pension liability (asset)	\$ 2,381,016	\$ (5,351,622)
School Districts' proportion of the net pension liability (asset)	0.0737740 %	0.704069 %
Change in proportion since the prior measurement date	(0.0018717) %	0.000965 %

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

For the year ended June 30, 2018, the School District recognized pension expense in the district-wide financial statements of \$17,000,785 (\$3,493,268 for ERS and \$13,507,517 for TRS). Pension expenditures were recorded in the fund financial statements as follows:

	ERS	TRS
General Fund	\$ 3,224,158	\$ 10,705,073
Special Aid Fund	14,554	469,203
School Lunch Fund	223,989	-
Public Library Fund	321,617	-
Total	<u>\$ 3,784,318</u>	<u>\$ 11,174,276</u>

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

	ERS		TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 849,231	\$ 701,773	\$ 4,403,070	\$ 2,086,536
Changes of assumptions	1,578,810	-	54,453,797	-
Net difference between projected and actual earnings on pension plan investments	3,458,237	6,826,212	-	12,604,618
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,749,380	172,511	237,308	93,211
School District contributions subsequent to the measurement date	1,137,088	-	11,179,356	-
	<u>\$ 8,772,746</u>	<u>\$ 7,700,496</u>	<u>\$ 70,273,531</u>	<u>\$ 14,784,365</u>

City School District of New Rochelle, New York

Notes to Financial Statements (Continued)

June 30, 2018

Note 3 - Detailed Notes on All Funds (Continued)

	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,252,301	\$ 2,788,309
Changes of assumptions	56,032,607	-
Net difference between projected and actual earnings on pension plan investments	3,458,237	19,430,830
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,986,688	265,722
School District contributions subsequent to the measurement date	12,316,444	-
	<u>\$ 79,046,277</u>	<u>\$ 22,484,861</u>

\$1,137,088 reported as deferred outflows of resources related to ERS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the plan's year ended March 31, 2019. The \$11,179,356 reported as deferred outflows of resources related to TRS will be recognized as an increase of the net pension asset in the plan's year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and TRS will be recognized in pension expense as follows:

Year Ended	March 31, ERS	June 30, TRS
2018	\$ -	\$ 1,295,213
2019	1,161,630	14,463,592
2020	854,797	10,366,526
2021	(1,436,688)	2,616,174
2022	(644,577)	10,336,531
Thereafter	-	5,231,774

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

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

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

Note 3 - Detailed Notes on All Funds (Continued)

For ERS, annuitant mortality rates are based on the ERS's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

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

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

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

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

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

Note 3 - Detailed Notes on All Funds (Continued)

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

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the ERS net pension liability (asset)	<u>\$ 18,015,404</u>	<u>\$ 2,381,016</u>	<u>\$ (10,845,053)</u>
	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
School District's proportionate share of the TRS net pension liability (asset)	<u>\$ 92,192,599</u>	<u>\$ (5,351,622)</u>	<u>\$ (87,040,066)</u>

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

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

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

Note 3 - Detailed Notes on All Funds (Continued)

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

Accrued retirement contributions as of June 30, 2018 were \$1,137,088 to ERS and \$11,987,093 to TRS, which includes \$807,737 of employee contributions.

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 365 days of service. No current employees participated in this program.

Other Post Employment Benefit Obligations ("OPEB")

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

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

Inactive employees currently receiving benefit payments	101
Inactive employees entitled to but not yet receiving benefit payments	830
Active employees	<u>1,282</u>
	<u>2,213</u>

The School District's total OPEB liability of \$369,266,964 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

Note 3 - Detailed Notes on All Funds (Continued)

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

Salary increases	3.0%, average, including inflation
Discount rate	3.5%
Healthcare cost trend rates	8.0% for 2018, decreasing 0.5% per year to an ultimate rate of 5.0% for 2025 and later years
Retirees' share of benefit-related costs	Varies from 25% to 100%, depending on applicable retirement year and bargaining unit

The discount rate was based on an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years).

Mortality rates were based on the RP-2014 Healthy Male and Female Tables for both pre and post retirement, projected with mortality improvements using Projection Scale AA for 3.5 years, (i.e., from date of table to the valuation date), plus ten years additional mortality improvement.

The actuarial assumptions used in the July 1, 2017 valuation were based on the most recent decrement tables for turnover, disability and retirement for ERS and TRS. ERS and TRS tables were based on a version released in 2015.

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

Total OPEB Liability - Beginning of Year	\$ 360,702,042
Service cost	4,419,690
Interest	12,478,735
Benefit payments	<u>(8,333,503)</u>
Total OPEB Liability - End of Year	<u><u>\$ 369,266,964</u></u>

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5%) or 1 percentage point higher (4.5%) than the current discount rate:

	1% Decrease (2.5%)	Current Assumption (3.5%)	1% Increase (4.5%)
Total OPEB Liability	<u>\$ 458,615,166</u>	<u>\$ 369,266,964</u>	<u>\$ 304,226,085</u>

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.0% decreasing to 4.0%) or 1 percentage point higher (9.0% decreasing to 6.0%) than the current healthcare cost trend rates:

Note 3 - Detailed Notes on All Funds (Continued)

	1% Decrease (7.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Total OPEB Liability	<u>\$ 299,162,933</u>	<u>\$ 369,266,964</u>	<u>\$ 472,303,995</u>

For the year ended June 30, 2018, the School District recognized OPEB expense of \$16,898,425 in the district-wide financial statements. At June 30, 2018, no amounts were reported in deferred outflows/inflows of resources.

I. 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
	General Fund	Special Aid Fund	Capital Projects Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 872,963	\$ 2,433,625	\$ 630,457	\$ 3,937,045
Non-Major Governmental Funds	275,000	-	65,315	-	340,315
	<u>\$ 275,000</u>	<u>\$ 872,963</u>	<u>\$ 2,498,940</u>	<u>\$ 630,457</u>	<u>\$ 4,277,360</u>

Transfers are used to 1) move amounts earmarked in the operating funds to fulfill commitments for Capital Projects, Special Aid and School Lunch funds expenditures and 2) move amounts from the Debt Service Fund to the General Fund as debt service principal and interest become due.

J. 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 Future Capital Projects - the component of net position that reports the amounts restricted in accordance with the Education Law of the State of New York to pay for costs of construction, reconstruction, renovation, expansion and equipping of School District buildings and facilities through payments received by the School District from the Fair Share Mitigation fund.

Note 3 - Detailed Notes on All Funds (Continued)

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.

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 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, 2018

Note 3 - Detailed Notes on All Funds (Continued)

K. Fund Balances

	2018				2017			
	General Fund	Capital Projects Fund	Non-Major Governmental	Total	General Fund	Capital Projects Fund	Non-Major Governmental	Total
Nonspendable:								
Inventories	\$ -	\$ -	\$ 10,685	\$ 10,685	\$ -	\$ -	\$ 18,686	\$ 18,686
Prepaid expenditures	38,939	-	176,052	214,991	-	-	173,203	173,203
Total Nonspendable	38,939	-	186,737	225,676	-	-	191,889	191,889
Restricted:								
Tax certiorari	9,581,387	-	-	9,581,387	8,205,053	-	-	8,205,053
Unemployment benefits	166,822	-	-	166,822	166,614	-	-	166,614
Retirement contributions	1,524,316	-	-	1,524,316	2,500,000	-	-	2,500,000
Retirement contributions - for subsequent year's expenditures	975,684	-	-	975,684	-	-	-	-
Employee benefit accrued liability	1,088,368	-	-	1,088,368	1,500,000	-	-	1,500,000
Debt service	-	-	937,057	937,057	-	-	644,947	644,947
Debt service - for subsequent year's expenditures	-	-	275,000	275,000	-	-	275,000	275,000
Future capital projects	311,236	-	-	311,236	-	-	-	-
Special purposes - library	-	-	104,280	104,280	-	-	104,460	104,460
Special purposes - other	-	-	322,420	322,420	-	-	327,975	327,975
Total Restricted	13,647,813	-	1,638,757	15,286,570	12,371,667	-	1,352,382	13,724,049
Assigned:								
Purchases on order:								
General government support	2,890,242	-	-	2,890,242	2,209,569	-	-	2,209,569
Instruction	1,168,096	-	-	1,168,096	1,787,513	-	-	1,787,513
Transportation	2,625	-	-	2,625	764,053	-	-	764,053
	4,060,963	-	-	4,060,963	4,761,135	-	-	4,761,135
Subsequent year's expenditures from -								
General Fund	1,400,145	-	-	1,400,145	533,820	-	-	533,820
School Lunch Fund	-	-	78,559	78,559	-	-	70,558	70,558
Public Library purposes	-	-	938,218	938,218	-	-	806,417	806,417
Total Assigned	5,461,108	-	1,016,777	6,477,885	5,294,955	-	876,975	6,171,930
Unassigned	10,815,246	(31,437,307)	-	(20,622,061)	10,353,243	(7,409,352)	-	2,943,891
Total Fund Balances (Deficits)	\$ 29,963,106	\$ (31,437,307)	\$ 2,842,271	\$ 1,368,070	\$ 28,019,865	\$ (7,409,352)	\$ 2,421,246	\$ 23,031,759

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, 2018, 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, 2018

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, 2018 is as follows:

Agreement	Taxable Assessed Value	Tax Rate	Tax Value	PILOT Received*	Tax Abated
Pearlgreen	\$ 159,000	\$ 764.72	\$ 121,590	\$ 76,519	\$ 45,071
Macleay (Larchmont Woods)	939,800	764.72	718,684	160,370	558,314
32 Burling Lane	71,700	764.72	54,830	54,830	-
Avalon Phase I - Retail	4,214,750	764.72	3,223,104	41,014	3,182,090
Avalon Phase IIA - Retail	6,208,500	764.72	4,747,764	22,103	4,725,661
Soundview Apts LP	275,000	764.72	210,298	58,186	152,112
180 Union Ave Association	71,200	764.72	54,448	32,812	21,636
Heritage Homes - Phase I	188,000	764.72	143,767	9,501	134,266
Maple Terrace	769,500	764.72	588,452	67,421	521,031
Maple Center Housing	1,309,850	764.72	1,001,668	46,071	955,597
Carrington Arms	1,056,700	764.72	808,080	89,804	718,276
Washington House LLC - 2017	444,000	764.72	339,536	272,880	66,656
Heritage Homes - Phase II	80,400	764.72	61,483	6,956	54,527
Lincoln Towers	532,000	764.72	406,831	156,768	250,063
New Rochelle Housing Authority	460,000	764.72	351,771	73,366	278,405
Banner Storage	336,000	764.72	256,946	79,294	177,652
48 Burling Lane	87,900	764.72	67,219	67,219	-
165 Huguenot	184,600	764.72	141,167	68,642	72,525
17 Locust Avenue	15,000	764.72	11,471	11,471	-
RXR 587 Main	1,175,000	764.72	898,546	86,939	811,607
Heritage Phase III	58,850	764.72	45,004	6,956	38,048
	<u>\$ 18,637,750</u>		<u>\$ 14,252,659</u>	<u>\$ 1,489,122</u>	<u>\$ 12,763,537</u>

*Excludes PILOT's received for the public library.

Note 6 - Subsequent Events

The School District, on July 12, 2018, issued a \$54,325,000 bond anticipation note for the reconstruction and construction of improvements to school buildings. The proceeds of the note, along with \$175,000 in available funds, will be used to redeem \$38,000,000 of outstanding bond anticipation notes and provide \$16,500,000 in new financing for the project. The note is due on July 12, 2019, with interest at 3.00%.

The School District, on July 12, 2018, issued serial bonds in the amount of \$1,156,756. The bond proceeds along with \$68,613 in available funds, will be used to redeem \$1,225,369 of outstanding bond anticipation notes for the Public Library. The bonds mature annually through July 2032, with interest at 3.495%.

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City School District of New Rochelle, New York

Required Supplementary Information - Schedule of Changes in the
School District's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years (1) (2)

	<u>2018</u>
Total OPEB Liability:	
Service cost	\$ 4,419,690
Interest	12,478,735
Benefit payments	<u>(8,333,503)</u>
Net Change in Total OPEB Liability	8,564,922
Total OPEB Liability – Beginning of Year	<u>360,702,042</u> (3)
Total OPEB Liability – End of Year	<u>\$ 369,266,964</u>
School District's covered-employee payroll	<u>\$ 123,681,067</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>298.56%</u>

Notes to Schedule:

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

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

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

See independent auditors' report.

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)

	2018 (3)	2017 (2)	2016	2015
School District's proportion of the net pension liability (asset)	<u>0.704069%</u>	<u>0.703104%</u>	<u>0.707313%</u>	<u>0.708578%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ (5,351,622)</u>	<u>\$ 7,530,533</u>	<u>\$ (73,467,286)</u>	<u>\$ (78,931,150)</u>
School District's covered payroll	<u>\$ 111,589,396</u>	<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>(4.80)%</u>	<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>100.66%</u>	<u>99.01%</u>	<u>110.46%</u>	<u>111.48%</u>

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

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

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

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

See independent auditors' report.

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)

	2018	2017	2016	2015
Contractually required contribution	\$ 11,179,356	\$ 13,078,277	\$ 14,387,267	\$ 18,625,574
Contributions in relation to the contractually required contribution	(11,179,356)	(13,078,277)	(14,387,267)	(18,625,574)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 114,075,060	\$ 111,589,396	\$ 108,501,263	\$ 106,249,709
Contributions as a percentage of covered payroll	9.80%	11.72%	13.26%	17.53%

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

See independent auditors' report.

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)

	2018	2017	2016 (2)	2015
School District's proportion of the net pension liability	<u>0.0737740%</u>	<u>0.0756457%</u>	<u>0.0789126%</u>	<u>0.0796774%</u>
School District's proportionate share of the net pension liability	<u>\$ 2,381,016</u>	<u>\$ 7,107,840</u>	<u>\$ 12,665,693</u>	<u>\$ 2,691,699</u>
School District's covered payroll	<u>\$ 25,121,451</u>	<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>9.48%</u>	<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>98.24%</u>	<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.

See independent auditors' report.

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,799,850	\$ 3,813,991	\$ 4,363,279	\$ 4,814,005
Contributions in relation to the contractually required contribution	<u>(3,799,850)</u>	<u>(3,813,991)</u>	<u>(4,363,279)</u>	<u>(4,814,005)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 25,499,837</u>	<u>\$ 24,388,724</u>	<u>\$ 24,553,491</u>	<u>\$ 24,069,960</u>
Contributions as a percentage of covered payroll	<u>14.90%</u>	<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*.

See independent auditors' report.

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City School District of New Rochelle, New York

General Fund
Comparative Balance Sheet
June 30,

	2018	2017
ASSETS		
Cash and equivalents	\$ 52,675,591	\$ 35,789,640
Receivables		
Taxes	3,678,523	3,987,781
Accounts	5,965,451	30,209,454
State and Federal aid	5,073,659	5,246,517
Due from other governments, net of allowance for uncollectible amounts of \$3,259,975 in 2018 and \$1,692,881 in 2017	8,675,060	13,338,778
Due from other funds	1,081,925	21,049
	<u>24,474,618</u>	<u>52,803,579</u>
Prepaid expenditures	<u>38,939</u>	<u>-</u>
Total Assets	<u>\$ 77,189,148</u>	<u>\$ 88,593,219</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 6,129,471	\$ 9,721,250
Accrued liabilities	12,167,395	10,207,601
Due to other funds	13,504,703	22,005,817
Due to other governments	-	994,367
Due to retirement systems	13,042,962	14,851,810
Total Liabilities	<u>44,844,531</u>	<u>57,780,845</u>
Deferred inflows of resources		
Deferred tax revenues	<u>2,381,511</u>	<u>2,792,509</u>
Total Liabilities and Deferred Inflows of Resources	<u>47,226,042</u>	<u>60,573,354</u>
Fund balance		
Nonspendable	38,939	-
Restricted	13,647,813	12,371,667
Assigned	5,461,108	5,294,955
Unassigned	<u>10,815,246</u>	<u>10,353,243</u>
Total Fund Balance	<u>29,963,106</u>	<u>28,019,865</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 77,189,148</u>	<u>\$ 88,593,219</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,

	2018				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
REVENUES					
Real property taxes	\$ 184,499,914	\$ 184,499,914	\$ 183,328,690	\$	\$ (1,171,224)
Other tax items	21,382,841	21,382,841	21,913,112		530,271
Non-property taxes	3,415,980	3,415,980	2,869,221		(546,759)
Charges for services	3,460,682	3,460,682	2,658,531		(802,151)
Use of money and property	258,316	258,316	851,464		593,148
Sale of property and compensation for loss	131,640	131,640	6,561		(125,079)
State aid	43,055,794	43,055,794	42,786,510		(269,284)
Federal aid	500,000	500,000	223,884		(276,116)
Miscellaneous	2,108,501	2,120,081	2,242,639		122,558
Total Revenues	258,813,668	258,825,248	256,880,612		(1,944,636)
EXPENDITURES					
Current					
General support					
Board of education	338,835	355,430	318,929	72	36,429
Central administration	509,325	604,977	584,432	1,110	19,435
Finance	1,942,549	1,691,649	1,497,639	12,933	181,077
Staff	1,628,491	1,890,032	1,608,116	432	281,484
Central services	24,258,756	28,330,301	24,724,195	2,875,695	730,411
Special items	2,792,415	4,904,574	4,885,619	-	18,955
Total General Support	31,470,371	37,776,963	33,618,930	2,890,242	1,267,791
Instruction					
Instruction, administration and improvement	11,197,160	10,959,010	10,619,696	3,665	335,649
Teaching - Regular school	81,960,389	81,707,053	80,526,924	349,822	830,307
Programs for students with disabilities	25,941,906	26,441,574	25,463,196	748,772	229,606
Occupational education	4,131,850	3,942,128	3,942,127	-	1
Teaching - Special schools	997,591	883,306	868,002	-	15,304
Instructional media	6,970,799	7,760,659	7,267,642	14,767	478,250
Pupil services	14,060,159	14,305,735	13,601,222	51,070	653,443
Total Instruction	145,259,854	145,999,465	142,288,809	1,168,096	2,542,560
Pupil transportation	13,970,882	14,088,983	13,296,242	2,625	790,116
Community services	2,469	2,469	2,469	-	-
Employee benefits	59,216,871	54,230,278	52,155,810	-	2,074,468
Debt service					
Principal	8,043,483	8,043,483	8,043,483	-	-
Interest	1,966,068	1,966,068	1,869,583	-	96,485
Total Expenditures	259,929,998	262,107,709	251,275,326	4,060,963	6,771,420
Excess (Deficiency) of Revenues Over Expenditures	(1,116,330)	(3,282,461)	5,605,286	(4,060,963)	4,826,784
OTHER FINANCING SOURCES (USES)					
Transfers in	275,000	275,000	275,000	-	-
Transfers out	(4,453,625)	(4,555,269)	(3,937,045)	-	618,224
Total Other Financing Uses	(4,178,625)	(4,280,269)	(3,662,045)	-	618,224
Net Change in Fund Balance	(5,294,955)	(7,562,730)	1,943,241	\$ (4,060,963)	\$ 5,445,008
FUND BALANCE					
Beginning of Year	5,294,955	7,562,730	28,019,865		
End of Year	\$ -	\$ -	\$ 29,963,106		

See independent auditors' report.

2017				
Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
\$ 179,391,595	\$ 179,391,595	\$ 181,859,514	\$	\$ 2,467,919
23,651,215	23,651,215	23,348,684		(302,531)
3,375,000	3,375,000	2,315,205		(1,059,795)
3,025,000	3,025,000	3,693,753		668,753
210,000	210,000	282,981		72,981
81,000	81,000	4,264		(76,736)
41,027,994	41,027,994	42,064,520		1,036,526
400,000	400,000	182,559		(217,441)
2,248,832	2,248,832	1,453,815		(795,017)
<u>253,410,636</u>	<u>253,410,636</u>	<u>255,205,295</u>		<u>1,794,659</u>
332,575	328,495	279,379	4,876	44,240
535,068	520,339	511,827	1,434	7,078
1,868,454	1,871,124	1,766,745	39,054	65,325
1,673,533	2,015,992	1,795,937	3,693	216,362
22,206,660	23,234,350	19,870,919	2,160,512	1,202,919
2,819,214	3,463,005	3,137,184	-	325,821
<u>29,435,504</u>	<u>31,433,305</u>	<u>27,361,991</u>	<u>2,209,569</u>	<u>1,861,745</u>
11,266,776	10,711,207	10,242,698	18,915	449,594
81,615,159	80,695,763	79,031,916	192,169	1,471,678
24,124,331	26,616,481	25,659,808	665,299	291,374
3,673,868	4,122,087	4,122,087	-	-
991,878	907,576	837,274	-	70,302
7,086,199	6,924,191	6,298,013	70,522	555,656
13,433,924	13,665,211	12,517,493	840,608	307,110
<u>142,192,135</u>	<u>143,642,516</u>	<u>138,709,289</u>	<u>1,787,513</u>	<u>3,145,714</u>
13,387,512	12,146,076	11,127,008	764,053	255,015
2,469	16,469	14,261	-	2,208
56,920,020	55,964,503	55,361,602	-	602,901
7,746,270	7,746,270	7,746,270	-	-
2,040,386	2,040,386	1,967,632	-	72,754
<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>
1,686,340	421,111	12,917,242	(4,761,135)	7,734,996
275,000	275,000	-	-	(275,000)
(4,070,415)	(3,804,079)	(3,746,248)	-	57,831
(3,795,415)	(3,529,079)	(3,746,248)	-	(217,169)
(2,109,075)	(3,107,968)	9,170,994	<u>\$ (4,761,135)</u>	<u>\$ 7,517,827</u>
<u>2,109,075</u>	<u>3,107,968</u>	<u>18,848,871</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,019,865</u>		

City School District of New Rochelle, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	<u>\$ 184,499,914</u>	<u>\$ 184,499,914</u>	<u>\$ 183,328,690</u>	<u>\$ (1,171,224)</u>
OTHER TAX ITEMS				
School tax relief reimbursement	19,941,728	19,941,728	19,941,728	-
Payments in lieu of taxes	1,161,113	1,161,113	1,489,122	328,009
Interest and penalties on real property taxes	<u>280,000</u>	<u>280,000</u>	<u>482,262</u>	<u>202,262</u>
	<u>21,382,841</u>	<u>21,382,841</u>	<u>21,913,112</u>	<u>530,271</u>
NON-PROPERTY TAXES				
Utility gross receipts tax	<u>3,415,980</u>	<u>3,415,980</u>	<u>2,869,221</u>	<u>(546,759)</u>
CHARGES FOR SERVICES				
Day school tuition	700,000	700,000	781,935	81,935
Continuing education tuition	66,345	66,345	24,081	(42,264)
Health services for other districts	<u>2,694,337</u>	<u>2,694,337</u>	<u>1,852,515</u>	<u>(841,822)</u>
	<u>3,460,682</u>	<u>3,460,682</u>	<u>2,658,531</u>	<u>(802,151)</u>
USE OF MONEY AND PROPERTY				
Earnings on investments	100,000	100,000	738,304	638,304
Rental of real property	<u>158,316</u>	<u>158,316</u>	<u>113,160</u>	<u>(45,156)</u>
	<u>258,316</u>	<u>258,316</u>	<u>851,464</u>	<u>593,148</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Insurance recoveries	131,640	131,640	6,313	(125,327)
Other	<u>-</u>	<u>-</u>	<u>248</u>	<u>248</u>
	<u>131,640</u>	<u>131,640</u>	<u>6,561</u>	<u>(125,079)</u>

STATE AID

Basic formula	36,707,454	36,707,454	36,622,847	(84,607)
BOCES	4,532,569	4,532,569	5,032,873	500,304
Textbooks	740,000	740,000	722,940	(17,060)
Computer software	330,000	330,000	234,936	(95,064)
Library aid	81,808	81,808	71,311	(10,497)
Non-resident homeless aid	663,963	663,963	26,062	(637,901)
Chapter 47 tuition	-	-	75,541	75,541

	<u>43,055,794</u>	<u>43,055,794</u>	<u>42,786,510</u>	<u>(269,284)</u>
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FEDERAL AID

Medical assistance	<u>500,000</u>	<u>500,000</u>	<u>223,884</u>	<u>(276,116)</u>
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MISCELLANEOUS

Refund of prior year's expenditures	1,280,777	1,280,777	1,463,253	182,476
Gifts and donations	-	11,580	261,580	250,000
Developers' contributions - fair share mitigation	-	-	135,201	135,201
Other	<u>827,724</u>	<u>827,724</u>	<u>382,605</u>	<u>(445,119)</u>

	<u>2,108,501</u>	<u>2,120,081</u>	<u>2,242,639</u>	<u>122,558</u>
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TOTAL REVENUES

	258,813,668	258,825,248	256,880,612	(1,944,636)
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OTHER FINANCING SOURCES

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

**TOTAL REVENUES AND
OTHER FINANCING SOURCES**

	<u><u>\$ 259,088,668</u></u>	<u><u>\$ 259,100,248</u></u>	<u><u>\$ 257,155,612</u></u>	<u><u>\$ (1,944,636)</u></u>
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See independent auditors' report.

City School District of New Rochelle, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 46,202	\$ 52,965	\$ 41,549	\$ 72	\$ 11,344
District clerk	196,943	196,943	188,213	-	8,730
District meeting	95,690	105,522	89,167	-	16,355
Total Board of Education	338,835	355,430	318,929	72	36,429
CENTRAL ADMINISTRATION					
Chief school administrator	509,325	604,977	584,432	1,110	19,435
FINANCE					
Business administration	1,171,308	1,147,611	1,026,390	-	121,221
Accounting and auditing	168,633	193,966	150,205	12,500	31,261
Treasurer	173,738	129,809	115,720	116	13,973
Purchasing	424,870	212,708	197,769	317	14,622
Other	4,000	7,555	7,555	-	-
Total Finance	1,942,549	1,691,649	1,497,639	12,933	181,077
STAFF					
Legal	600,000	880,000	705,513	-	174,487
Personnel	778,319	751,087	655,953	432	94,702
Records management officer	17,632	22,632	16,712	-	5,920
Public information and services	232,540	236,313	229,938	-	6,375
Total Staff	1,628,491	1,890,032	1,608,116	432	281,484

CENTRAL SERVICES

Operation and maintenance of plant	18,368,726	20,265,704	17,061,523	2,583,106	621,075
Security	4,166,652	5,004,451	4,662,203	284,820	57,428
Central printing and mailing	32,000	30,340	15,610	7,769	6,961
Central data processing	1,691,378	3,029,806	2,984,859	-	44,947
Total Central Services	24,258,756	28,330,301	24,724,195	2,875,695	730,411

SPECIAL ITEMS

Unallocated insurance	1,217,046	1,185,053	1,169,760	-	15,293
School association dues	29,549	29,944	29,944	-	-
Judgments and claims	10,000	41,993	38,432	-	3,561
Assessments on school property	283,560	539,181	539,080	-	101
Refunds of real property taxes	-	1,856,143	1,856,143	-	-
Administrative charge - BOCES	1,252,260	1,252,260	1,252,260	-	-
Total Special Items	2,792,415	4,904,574	4,885,619	-	18,955
Total General Support	31,470,371	37,776,963	33,618,930	2,890,242	1,267,791

INSTRUCTION**INSTRUCTION, ADMINISTRATION
AND IMPROVEMENT**

Curriculum development and supervision	1,235,701	930,718	813,868	600	116,250
Supervision - Regular school	9,366,373	9,478,008	9,417,055	3,022	57,931
Supervision - Special schools	62,000	62,000	21,270	-	40,730
Research, planning and evaluation	95,604	95,604	58,677	43	36,884
In-service training - Instruction	437,482	392,680	308,826	-	83,854
Total Instruction, Administration and Improvement	11,197,160	10,959,010	10,619,696	3,665	335,649

TEACHING - REGULAR SCHOOL

81,960,389	81,707,053	80,526,924	349,822	830,307
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**PROGRAMS FOR STUDENTS
WITH DISABILITIES**

25,941,906	26,441,574	25,463,196	748,772	229,606
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OCCUPATIONAL EDUCATION

4,131,850	3,942,128	3,942,127	-	1
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TEACHING - SPECIAL SCHOOLS

997,591	883,306	868,002	-	15,304
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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, 2018

	Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
INSTRUCTION (Continued)					
<i>INSTRUCTIONAL MEDIA</i>					
School library and audiovisual	\$ 1,576,458	\$ 1,331,133	\$ 1,270,459	\$ 14,160	\$ 46,514
Computer assisted instruction	5,394,341	6,429,526	5,997,183	607	431,736
Total Instructional Media	6,970,799	7,760,659	7,267,642	14,767	478,250
<i>PUPIL SERVICES</i>					
Attendance - Regular school	572,555	631,616	618,874	2,000	10,742
Guidance - Regular school	3,045,703	2,999,213	2,922,294	219	76,700
Health services - Regular school	4,386,117	4,405,322	3,869,051	43,047	493,224
Psychological services - Regular school	2,754,070	2,805,561	2,790,337	1,613	13,611
Social work services - Regular school	1,844,094	1,844,953	1,843,069	534	1,350
Co-curricular activities - Regular school	368,566	502,541	497,981	1,890	2,670
Interscholastic athletics - Regular school	1,089,054	1,116,529	1,059,616	1,767	55,146
Total Pupil Services	14,060,159	14,305,735	13,601,222	51,070	653,443
Total Instruction	145,259,854	145,999,465	142,288,809	1,168,096	2,542,560
<i>PUPIL TRANSPORTATION</i>					
District transportation services	288,338	359,464	318,474	-	40,990
Contract and public carrier transportation	13,682,544	13,729,519	12,977,768	2,625	749,126
Total Pupil Transportation	13,970,882	14,088,983	13,296,242	2,625	790,116
<i>COMMUNITY SERVICES</i>					
Census	2,469	2,469	2,469	-	-

EMPLOYEE BENEFITS

State retirement	4,266,469	3,587,022	3,224,158	-	362,864
Teachers' retirement	11,669,357	10,966,895	10,705,073	-	261,822
Social security	10,010,163	10,030,163	10,025,031	-	5,132
Hospital, medical and dental insurance	29,332,737	25,285,913	24,195,098	-	1,090,815
Workers' compensation benefits	1,200,000	1,200,000	1,091,612	-	108,388
Union welfare benefits	2,738,145	3,160,285	2,914,838	-	245,447
	<u>59,216,871</u>	<u>54,230,278</u>	<u>52,155,810</u>	<u>-</u>	<u>2,074,468</u>
Total Employee Benefits					

DEBT SERVICE

Principal					
Serial bonds	7,085,000	7,085,000	7,085,000	-	-
Energy performance contract	958,483	958,483	958,483	-	-
	<u>8,043,483</u>	<u>8,043,483</u>	<u>8,043,483</u>	<u>-</u>	<u>-</u>
Interest					
Serial bonds	1,254,763	1,254,763	1,254,763	-	-
Bond anticipation notes	234,438	234,438	234,438	-	-
Tax anticipation note	190,000	190,000	93,516	-	96,484
Energy performance contract	286,867	286,867	286,866	-	1
	<u>1,966,068</u>	<u>1,966,068</u>	<u>1,869,583</u>	<u>-</u>	<u>96,485</u>
Total Debt Service	<u>10,009,551</u>	<u>10,009,551</u>	<u>9,913,066</u>	<u>-</u>	<u>96,485</u>

TOTAL EXPENDITURES

<u>259,929,998</u>	<u>262,107,709</u>	<u>251,275,326</u>	<u>4,060,963</u>	<u>6,771,420</u>
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OTHER FINANCING USES

Transfers out					
Special Aid Fund	1,470,000	1,470,000	872,963	-	597,037
School Lunch Fund	550,000	651,644	630,457	-	21,187
Capital Projects Fund	2,433,625	2,433,625	2,433,625	-	-
	<u>4,453,625</u>	<u>4,555,269</u>	<u>3,937,045</u>	<u>-</u>	<u>618,224</u>
TOTAL OTHER FINANCING USES					

**TOTAL EXPENDITURES AND
OTHER FINANCING USES**

<u>\$ 264,383,623</u>	<u>\$ 266,662,978</u>	<u>\$ 255,212,371</u>	<u>\$ 4,060,963</u>	<u>\$ 7,389,644</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>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	<u>\$ 13,027</u>	<u>\$ 961,675</u>
Receivables		
State and Federal aid	4,166,690	3,427,288
Due from other funds	<u>476,845</u>	<u>15,724,253</u>
	<u>4,643,535</u>	<u>19,151,541</u>
Total Assets	<u>\$ 4,656,562</u>	<u>\$ 20,113,216</u>
LIABILITIES		
Accounts payable	\$ 4,174,138	\$ 19,691,468
Accrued liabilities	426,771	361,095
Unearned revenues	<u>55,653</u>	<u>60,653</u>
Total Liabilities	<u>\$ 4,656,562</u>	<u>\$ 20,113,216</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,

	2018			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State aid	\$ 2,555,213	\$ 2,683,338	\$ 2,683,305	\$ (33)
Federal aid	6,519,968	6,767,105	5,886,760	(880,345)
Miscellaneous	488,632	512,458	341,838	(170,620)
Total Revenues	9,563,813	9,962,901	8,911,903	(1,050,998)
EXPENDITURES				
Current				
Instruction	11,033,813	11,432,901	9,784,866	1,648,035
Deficiency of Revenues Over Expenditures	(1,470,000)	(1,470,000)	(872,963)	597,037
OTHER FINANCING SOURCES				
Transfers in	1,470,000	1,470,000	872,963	(597,037)
Net Change in Fund Balance	-	-	-	-
FUND BALANCE				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

2017			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 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
(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

Capital Projects Fund
Comparative Balance Sheet
June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	<u>\$ 470,445</u>	<u>\$ 2,807,626</u>
Receivables		
State and Federal aid	-	406,328
Due from other funds	<u>8,339,143</u>	<u>3,018,279</u>
	<u>8,339,143</u>	<u>3,424,607</u>
 Total Assets	 <u><u>\$ 8,809,588</u></u>	 <u><u>\$ 6,232,233</u></u>
LIABILITIES AND FUND DEFICIT		
Liabilities		
Accounts payable	\$ 100,111	\$ 954,054
Bond anticipation notes payable	39,225,369	12,290,684
Due to other funds	<u>921,415</u>	<u>396,847</u>
 Total Liabilities	 40,246,895	 13,641,585
Fund deficit		
Unassigned	<u>(31,437,307)</u>	<u>(7,409,352)</u>
 Total Liabilities and Fund Deficit	 <u><u>\$ 8,809,588</u></u>	 <u><u>\$ 6,232,233</u></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>2018</u>	<u>2017</u>
REVENUES		
State aid	\$ 107,608	\$ 1,695,918
EXPENDITURES		
Capital outlay	<u>26,634,503</u>	<u>11,030,152</u>
Deficiency of Revenues Over Expenditures	(26,526,895)	(9,334,234)
OTHER FINANCING SOURCES		
Transfers in	<u>2,498,940</u>	<u>2,306,901</u>
Net Change in Fund Balance	(24,027,955)	(7,027,333)
FUND DEFICIT		
Beginning of Year	<u>(7,409,352)</u>	<u>(382,019)</u>
End of Year	<u><u>\$ (31,437,307)</u></u>	<u><u>\$ (7,409,352)</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, 2018

Project	Authorization	Expenditures and Transfers to Date			Unexpended Balance
		Prior Years	Current Year	Total	
2012 District-Wide Improvements	\$ 862,386	\$ 759,235	\$ (28,425)	\$ 730,810	\$ 131,576
School Building Improvements	869,427	807,293	-	807,293	62,134
Emergency Plumbing Repairs	176,000	91,945	-	91,945	84,055
Webster Emergency Ceiling Repair	2,562,712	2,495,035	53,108	2,548,143	14,569
2016 District-Wide Improvements	104,196,990	8,510,241	25,579,012	34,089,253	70,107,737
2017 District-Wide Improvements	2,282,585	204,613	310,784	515,397	1,767,188
Smart Schools Bond Act	3,527,277	1,506,625	48,555	1,555,180	1,972,097
2018 District-Wide Improvements	2,433,625	-	476,934	476,934	1,956,691
Public Library Improvements	3,970,590	3,592,762	194,535	3,787,297	183,293
	<u>\$ 120,881,592</u>	<u>\$ 17,967,749</u>	<u>\$ 26,634,503</u>	<u>\$ 44,602,252</u>	<u>\$ 76,279,340</u>

See independent auditors' report.

Proceeds of Obligations	Methods of Financing			Fund Balance (Deficit) at June 30, 2018	Bond Anticipation Notes Payable at June 30, 2018
	State and Federal Aid	Transfers	Total		
\$ -	\$ -	\$ 759,235	\$ 759,235	\$ 28,425	\$ -
-	-	869,427	869,427	62,134	-
-	-	176,000	176,000	84,055	-
-	-	2,501,830	2,501,830	(46,313)	-
-	-	-	-	(34,089,253)	38,000,000
-	-	2,172,428	2,172,428	1,657,031	-
-	1,507,179	-	1,507,179	(48,001)	-
-	-	2,433,625	2,433,625	1,956,691	-
2,274,631	296,347	174,243	2,745,221	(1,042,076)	1,225,369
<u>\$ 2,274,631</u>	<u>\$ 1,803,526</u>	<u>\$ 9,086,788</u>	<u>\$ 13,164,945</u>	<u>\$ (31,437,307)</u>	<u>\$ 39,225,369</u>

City School District of New Rochelle, New York

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

	School Lunch	Public Library	Special Purpose	Debt Service
ASSETS				
Cash and equivalents	\$ 182,237	\$ 2,008,048	\$ 322,588	\$ 798,524
Receivables				
Accounts	26,490	-	-	-
State and Federal aid	133,247	7,881	-	-
Due from other funds	2,570,353	2,426	-	688,533
	2,730,090	10,307	-	688,533
Inventories	10,685	-	-	-
Prepaid expenditures	-	176,052	-	-
Total Assets	<u>\$ 2,923,012</u>	<u>\$ 2,194,407</u>	<u>\$ 322,588</u>	<u>\$ 1,487,057</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,251,506	\$ 32,797	\$ 168	\$ -
Accrued liabilities	66,286	857	-	-
Due to other funds	476,845	845,648	-	275,000
Due to retirement systems	-	81,219	-	-
Unearned revenues	39,131	15,336	-	-
Total Liabilities	<u>2,833,768</u>	<u>975,857</u>	<u>168</u>	<u>275,000</u>
Fund balances				
Nonspendable	10,685	176,052	-	-
Restricted	-	104,280	322,420	1,212,057
Assigned	78,559	938,218	-	-
Total Fund Balances	<u>89,244</u>	<u>1,218,550</u>	<u>322,420</u>	<u>1,212,057</u>
Total Liabilities and Fund Balances	<u>\$ 2,923,012</u>	<u>\$ 2,194,407</u>	<u>\$ 322,588</u>	<u>\$ 1,487,057</u>

See independent auditors' report.

Total Non-Major Governmental Funds	
2018	2017
<u>\$ 3,311,397</u>	<u>\$ 2,624,094</u>
26,490	53,435
141,128	9,349
<u>3,261,312</u>	<u>1,337,692</u>
<u>3,428,930</u>	<u>1,400,476</u>
<u>10,685</u>	<u>18,686</u>
<u>176,052</u>	<u>173,203</u>
<u><u>\$ 6,927,064</u></u>	<u><u>\$ 4,216,459</u></u>
\$ 2,284,471	\$ 1,022,970
67,143	139,574
1,597,493	500,934
81,219	88,547
<u>54,467</u>	<u>43,188</u>
<u>4,084,793</u>	<u>1,795,213</u>
186,737	191,889
1,638,757	1,352,382
<u>1,016,777</u>	<u>876,975</u>
<u>2,842,271</u>	<u>2,421,246</u>
<u><u>\$ 6,927,064</u></u>	<u><u>\$ 4,216,459</u></u>

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, 2018
(With Comparative Totals for 2017)

	School Lunch	Public Library	Special Purpose	Debt Service
REVENUES				
Real property taxes	\$ -	\$ 5,261,511	\$ -	\$ -
Other tax items	-	38,201	-	-
Charges for services	-	50,927	-	-
Use of money and property	21	11,741	54	66,460
State aid	60,041	34,126	-	-
Federal aid	2,195,541	-	-	-
Food sales	635,484	-	-	-
Miscellaneous	-	155,066	10,841	-
Total Revenues	2,891,087	5,551,572	10,895	66,460
EXPENDITURES				
Current				
Instruction	-	-	16,450	-
Culture and recreation	-	5,197,456	-	-
Cost of food sales	3,521,544	-	-	-
Debt service				
Principal	-	70,000	-	-
Interest	-	84,331	-	-
Total Expenditures	3,521,544	5,351,787	16,450	-
Excess (Deficiency) of Revenues Over Expenditures	(630,457)	199,785	(5,555)	66,460
OTHER FINANCING SOURCES (USES)				
Issuance premium	-	-	-	500,650
Transfers in	630,457	-	-	-
Transfers out	-	(65,315)	-	(275,000)
Total Other Financing Sources (Uses)	630,457	(65,315)	-	225,650
Net Change in Fund Balances	-	134,470	(5,555)	292,110
FUND BALANCES				
Beginning of Year	89,244	1,084,080	327,975	919,947
End of Year	\$ 89,244	\$ 1,218,550	\$ 322,420	\$ 1,212,057

See independent auditors' report.

Total Non-Major Governmental Funds	
2018	2017
\$ 5,261,511	\$ 4,916,352
38,201	33,269
50,927	56,171
78,276	157,318
94,167	97,827
2,195,541	2,214,119
635,484	692,314
165,907	76,047
<u>8,520,014</u>	<u>8,243,417</u>
16,450	15,163
5,197,456	4,924,783
3,521,544	3,339,773
70,000	70,000
84,331	75,907
<u>8,889,781</u>	<u>8,425,626</u>
<u>(369,767)</u>	<u>(182,209)</u>
500,650	-
630,457	368,396
<u>(340,315)</u>	<u>(24,316)</u>
<u>790,792</u>	<u>344,080</u>
421,025	161,871
<u>2,421,246</u>	<u>2,259,375</u>
<u>\$ 2,842,271</u>	<u>\$ 2,421,246</u>

City School District of New Rochelle, New York

School Lunch Fund
Comparative Balance Sheet
June 30,

	2018	2017
ASSETS		
Cash and equivalents	\$ 182,237	\$ 510,403
Receivables		
Accounts	26,490	53,435
State and Federal aid	133,247	-
Due from other funds	2,570,353	1,166,125
	2,730,090	1,219,560
Inventories	10,685	18,686
Total Assets	\$ 2,923,012	\$ 1,748,649
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,251,506	\$ 1,009,673
Accrued liabilities	66,286	136,797
Due to other funds	476,845	476,845
Unearned revenues	39,131	36,090
Total Liabilities	2,833,768	1,659,405
Fund balance		
Nonspendable	10,685	18,686
Assigned	78,559	70,558
Total Fund Balance	89,244	89,244
Total Liabilities and Fund Balance	\$ 2,923,012	\$ 1,748,649

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,

	2018	2017
REVENUES		
Use of money and property	\$ 21	\$ -
State aid	60,041	64,944
Federal aid	2,195,541	2,214,119
Food sales	635,484	692,314
Total Revenues	2,891,087	2,971,377
EXPENDITURES		
Current		
Cost of food sales	3,521,544	3,339,773
Deficiency of Revenues Over Expenditures	(630,457)	(368,396)
OTHER FINANCING SOURCES		
Transfers in	630,457	368,396
Net Change in Fund Balance	-	-
FUND BALANCE		
Beginning of Year	89,244	89,244
End of Year	\$ 89,244	\$ 89,244

See independent auditors' report.

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City School District of New Rochelle, New York

Public Library Fund
Comparative Balance Sheet
June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	<u>\$ 2,008,048</u>	<u>\$ 994,052</u>
Receivables		
State and Federal aid	7,881	9,349
Due from other funds	<u>2,426</u>	<u>21,967</u>
	<u>10,307</u>	<u>31,316</u>
Prepaid expenditures	<u>176,052</u>	<u>173,203</u>
Total Assets	<u><u>\$ 2,194,407</u></u>	<u><u>\$ 1,198,571</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 32,797	\$ 13,029
Accrued liabilities	857	2,777
Due to other funds	845,648	3,040
Due to retirement systems	81,219	88,547
Unearned revenues	<u>15,336</u>	<u>7,098</u>
Total Liabilities	<u>975,857</u>	<u>114,491</u>
Fund balance		
Nonspendable	176,052	173,203
Restricted	104,280	104,460
Assigned	<u>938,218</u>	<u>806,417</u>
Total Fund Balance	<u>1,218,550</u>	<u>1,084,080</u>
Total Liabilities and Fund Balance	<u><u>\$ 2,194,407</u></u>	<u><u>\$ 1,198,571</u></u>

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,

	2018			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 5,261,511	\$ 5,261,511	\$ 5,261,511	\$ -
Other tax items	45,000	45,000	38,201	(6,799)
Charges for services	58,000	58,000	50,927	(7,073)
Use of money and property	7,000	7,000	11,741	4,741
State aid	28,087	48,087	34,126	(13,961)
Federal aid	1,010	1,010	-	(1,010)
Miscellaneous	118,064	240,450	155,066	(85,384)
Total Revenues	5,518,672	5,661,058	5,551,572	(109,486)
EXPENDITURES				
Current				
Culture and recreation	5,334,462	5,441,412	5,197,456	243,956
Debt service				
Principal				
Serial bonds	70,000	70,000	70,000	-
Interest				
Serial bonds	68,213	64,013	64,013	-
Bond anticipation notes	16,450	12,584	12,584	-
Tax anticipation notes	-	7,734	7,734	-
	84,663	84,331	84,331	-
Total Expenditures	5,489,125	5,595,743	5,351,787	243,956
Excess (Deficiency) of Revenues Over Expenditures	29,547	65,315	199,785	134,470
OTHER FINANCING USES				
Transfers out	(29,547)	(65,315)	(65,315)	-
Net Change in Fund Balance	-	-	134,470	134,470
FUND BALANCE				
Beginning of Year	-	-	1,084,080	1,084,080
End of Year	\$ -	\$ -	\$ 1,218,550	\$ 1,218,550

See independent auditors' report.

2017			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 4,939,484	\$ 4,939,484	\$ 4,916,352	\$ (23,132)
54,500	54,500	33,269	(21,231)
60,000	60,000	56,171	(3,829)
9,000	9,000	9,897	897
22,000	123,487	32,883	(90,604)
-	65	-	(65)
125,615	174,878	73,575	(101,303)
5,210,599	5,361,414	5,122,147	(239,267)
5,076,389	5,227,204	4,924,783	302,421
70,000	70,000	70,000	-
68,213	68,213	66,113	2,100
16,450	16,450	9,794	6,656
-	-	-	-
84,663	84,663	75,907	8,756
5,231,052	5,381,867	5,070,690	311,177
(20,453)	(20,453)	51,457	71,910
(29,547)	(29,547)	(24,316)	5,231
(50,000)	(50,000)	27,141	77,141
50,000	50,000	1,056,939	1,006,939
\$ -	\$ -	\$ 1,084,080	\$ 1,084,080

City School District of New Rochelle, New York

Special Purpose Fund
Comparative Balance Sheet
June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	<u>\$ 322,588</u>	<u>\$ 328,243</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 168	\$ 268
Fund balance		
Restricted	<u>322,420</u>	<u>327,975</u>
Total Liabilities and Fund Balance	<u>\$ 322,588</u>	<u>\$ 328,243</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>2018</u>	<u>2017</u>
REVENUES		
Use of money and property	\$ 54	\$ 41
Miscellaneous	<u>10,841</u>	<u>2,472</u>
Total Revenues	10,895	2,513
EXPENDITURES		
Current		
Instruction	<u>16,450</u>	<u>15,163</u>
Deficiency of Revenues Over Expenditures	(5,555)	(12,650)
FUND BALANCE		
Beginning of Year	<u>327,975</u>	<u>340,625</u>
End of Year	<u>\$ 322,420</u>	<u>\$ 327,975</u>

See independent auditors' report.

City School District of New Rochelle, New York

Debt Service Fund
Comparative Balance Sheet
June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	\$ 798,524	\$ 791,396
Due from other funds	<u>688,533</u>	<u>149,600</u>
Total Assets	<u><u>\$ 1,487,057</u></u>	<u><u>\$ 940,996</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ 275,000	\$ 21,049
Fund balance		
Restricted	<u>1,212,057</u>	<u>919,947</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,487,057</u></u>	<u><u>\$ 940,996</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>2018</u>	<u>2017</u>
REVENUES		
Use of money and property	\$ 66,460	\$ 147,380
EXPENDITURES	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>66,460</u>	<u>147,380</u>
OTHER FINANCING SOURCES (USES)		
Issuance premium	500,650	-
Transfers out	<u>(275,000)</u>	<u>-</u>
Total Other Financing Sources	<u>225,650</u>	<u>-</u>
Net Change in Fund Balance	292,110	147,380
FUND BALANCE		
Beginning of Year	<u>919,947</u>	<u>772,567</u>
End of Year	<u>\$ 1,212,057</u>	<u>\$ 919,947</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>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	\$ 454,762	\$ 450,713
Due from other funds	<u>2,864,386</u>	<u>2,802,325</u>
Total Assets	<u>3,319,148</u>	<u>3,253,038</u>
LIABILITIES		
Current liabilities		
Claims payable	990,859	943,968
Non-current liabilities		
Claims payable	<u>1,325,363</u>	<u>1,482,248</u>
Total Liabilities	<u>2,316,222</u>	<u>2,426,216</u>
NET POSITION		
Unrestricted	<u>\$ 1,002,926</u>	<u>\$ 826,822</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>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services	\$ 1,157,056	\$ 1,088,712
OPERATING EXPENSES		
Employee benefits	<u>981,404</u>	<u>1,257,644</u>
Income (Loss) from Operations	175,652	(168,932)
NON-OPERATING REVENUES		
Interest income	<u>452</u>	<u>257</u>
Change in Net Position	176,104	(168,675)
NET POSITION		
Beginning of Year	<u>826,822</u>	<u>995,497</u>
End of Year	<u><u>\$ 1,002,926</u></u>	<u><u>\$ 826,822</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>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges to other funds	\$ 1,094,995	\$ 1,082,585
Cash payments to insurance carriers and claimants	<u>(1,091,398)</u>	<u>(1,088,710)</u>
Net Cash from Operating Activities	3,597	(6,125)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>452</u>	<u>257</u>
Net Change in Cash and Equivalents	4,049	(5,868)
CASH AND EQUIVALENTS		
Beginning of Year	<u>450,713</u>	<u>456,581</u>
End of Year	<u><u>\$ 454,762</u></u>	<u><u>\$ 450,713</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ 175,652	\$ (168,932)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Changes in assets and liabilities		
Due from other funds	(62,061)	(6,127)
Claims payable	<u>(109,994)</u>	<u>168,934</u>
Net Cash from Operating Activities	<u><u>\$ 3,597</u></u>	<u><u>\$ (6,125)</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, 2018

Adopted Budget	\$ 259,622,488
Additions - Encumbrances	<u>4,761,135</u>
Original Budget	264,383,623
Budget Amendments	<u>2,279,355</u>
Final Budget	<u><u>\$ 266,662,978</u></u>

General Fund

Section 1318 of Real Property Tax Law Limit Calculation

2018-19 Expenditure Budget	<u>\$ 270,381,160</u>
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General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law

Unrestricted fund balance

Assigned fund balance

5,461,108

Unassigned fund balance

10,815,246

Total Unrestricted Fund Balance

16,276,354

Less

Appropriated for subsequent year's budget

1,400,145

Encumbrances

4,060,963

Total Adjustments

5,461,108

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law

\$ 10,815,246

Actual Percentage

4.00%

See independent auditors' report.

City School District of New Rochelle, New York

Schedule of Net Investment in Capital Assets
Year Ended June 30, 2018

Capital Assets, net		\$ 132,438,166
Plus		
Unexpended debt proceeds	4,094,040	
Unamortized portion of loss on refunding bonds	<u>943,683</u>	5,037,723
Less		
Bonds payable - Capital construction	(27,710,000)	
Bond anticipation notes	(39,225,369)	
Energy performance contract	(11,583,208)	
Unamortized portion of issuance premium	<u>(957,366)</u>	<u>(79,475,943)</u>
Net Investment in Capital Assets		<u>\$ 57,999,946</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, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

November 14, 2018

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

Independent Auditors' Report

**The Board of Education of the
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, 2018. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2018.

Report on Internal Control Over Compliance

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

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

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

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

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

November 14, 2018

City School District of New Rochelle, New York

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Sub- Recipients</u>	<u>Federal Program Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Indirect Programs - Passed through New York State Department of Education				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	10.553	N/A	\$ -	\$ 247,269
National School Lunch Program - Commodities	10.555	N/A	-	206,657
National School Lunch Program - Cash	10.555	N/A	-	1,741,615
Total U.S. Department of Agriculture			-	2,195,541
<u>U.S. Department of Education</u>				
Indirect Programs - Passed through New York State Department of Education				
<i>Special Education Cluster (IDEA)</i>				
Special Education - Grants to States	84.027	0032-18-1078	-	2,682,013
Special Education - Preschool Grants	84.173	0033-18-1078	-	80,250
Subtotal Special Education Cluster			-	2,762,263
Title I Grants to Local Educational Agencies	84.010	0021-18-3750	-	2,491,842
Education for Homeless Children and Youth	84.196	0212-18-3062	-	19,139
Education for Homeless Children and Youth	84.196	0212-18-3015	-	39,491
			-	58,630
English Language Acquisition State Grants	84.365	0293-18-3750	-	176,894
English Language Acquisition State Grants	84.365	0149-18-3750	-	31,671
			-	208,565
Supporting Effective Instruction State Grant	84.367	0147-18-3750	-	365,460
Hurricane Education Recovery	84.938	N/A	-	42,500
Total U.S. Department of Education			-	5,929,260
Total Expenditures of Federal Awards			\$ -	\$ 8,124,801

(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, 2018

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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

City School District of New Rochelle, New York

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

Section I - Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

____ Yes X No
____ Yes X None reported

Noncompliance material to financial statements
noted?

____ Yes X No

Federal Awards

Internal control over major federal programs:

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

____ Yes X No
____ Yes X None reported

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

Unmodified

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

____ Yes X No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.010

Title I Grants to Local Educational Agencies

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, 2018

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

None