

**Putnam Valley Central School District, New York**

Financial Statements and  
Supplementary Information

Year Ended June 30, 2018



# Putnam Valley Central School District, New York

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## **Independent Auditors' Report**

**The Board of Education of the  
Putnam Valley Central School District, New York**

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Putnam Valley Central School District, New York ("School District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

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

### ***Emphasis of Matter***

We draw attention to Note 2E and Note 3D 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 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* 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 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.

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 September 19, 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 September 20, 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

September 20, 2018

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## **Putnam Valley Central School District, New York**

### **Management's Discussion and Analysis (MD&A) June 30, 2018**

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#### **Introduction**

Our discussion and analysis of the Putnam Valley Central School District, New York's ("School District") financial performance provides an overview of the School District's financial activities for the year ended June 30, 2018. It should be read along with the basic financial statements, which immediately follows this section, to enhance the understanding of the School District's financial performance.

#### **Financial Highlights**

Key financial highlights for fiscal year 2018 are as follows:

- New York State Law limits the amount of unassigned fund balance that can be retained by the General Fund to 4.0% of the ensuing year's budget, exclusive of the amount assigned for the subsequent year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$2,052,236. This amount represents 4%.
- As of the close of the current fiscal year, the School District's governmental fund financial statements report a combined ending fund balance of \$22,195,478, an increase of \$4,793,877 from the prior year. Exclusive of the Capital Projects Fund amount of \$6,816,289, the combined ending fund balances are \$15,379,189. Of this amount, the unassigned fund balance is \$2,052,236. This amount is available for spending at the discretion of the School District.
- On the district-wide financial statements, the liabilities and deferred inflows of resource exceeded the assets and deferred outflows of resources of the School District at the close of its most recent fiscal year by \$26,220,170. The School District's total net position decreased by \$1,284,625 for the year ended June 30, 2018. In addition, the School District's total net position included a decrease to the opening balance due to the application of Government Accounting Standards Board ("GASB") Statement No. 75 "Accounting and Financial Reporting for Post Employment Benefits Other than Pension ("OPEB"). The amount that was recorded as a cumulative change in accounting principle was \$57,461,894.
- At June 30, 2018, the School District reported in its Statement of Net Position a liability of \$580,338 for its proportionate share of the New York State and Local Employees' Retirement System ("ERS") net pension liability, while also reporting a pension asset of \$896,824 for its proportionate share of the New York State Teachers' Retirement System ("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 3D in the notes to financial statements.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) district-wide financial statements, (2) fund financial statements and (3) notes to financial statements. This report also contains individual fund 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 and liabilities, with the difference between the two 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, community services, cost of food sales, other, 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 two categories: governmental funds and fiduciary funds.
- Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.
- Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

- The School District maintains six individual governmental funds; General Fund, Special Aid Fund, School Lunch 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, Debt Service and Capital Projects funds, since the School District has elected to report them as major funds.
- The School District adopts an annual budget for its General Fund and Special Aid Fund. A budgetary comparison statement has been provided for these funds within the basic financial statements to demonstrate compliance with the respective budgets.
- The Fiduciary Funds are used to account for assets held by the School District in an agency capacity on behalf of others. Fiduciary funds are not reflected in the district-wide financial statement because the resources of these funds are *not* available to support the School District's programs.

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

### ***Notes to Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the 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 situation. This MD&A includes a summary of two district-wide statements that focus on operations of the School District as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

In the case of the Putnam Valley Central School District, New York, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$26,220,170 at the close of the current fiscal year.

## Net Position

	June 30,	
	2018	2017
Current Assets	\$ 25,873,937	\$ 21,048,245
Net Pension Asset	896,824	-
Capital Assets, net	30,237,049	30,339,725
<b>Total Assets</b>	<b>57,007,810</b>	<b>51,387,970</b>
Deferred Outflows of Resources		
Deferred amounts on pensions	13,542,634	13,053,345
Deferred amounts on refunding	316,736	1,057,325
	13,859,370	14,110,670
Current Liabilities	5,761,683	5,494,303
Non-Current Liabilities	86,546,586	26,610,777
<b>Total Liabilities</b>	<b>92,308,269</b>	<b>32,105,080</b>
Deferred Inflows of Resources		
Deferred amounts on pensions	4,779,081	867,211
<b>Net Position</b>		
Net investment in capital assets	20,218,820	19,096,249
Restricted for		
Future capital projects	1,367,734	962,291
Repairs	30,599	30,553
Special Purpose	91,607	146,515
Property loss and liability	127,412	127,221
Tax certiorari	967,876	1,265,746
Debt Service	5,337,020	6,254,971
Retirement contributions	2,317,984	2,115,261
Capital projects	-	142,983
Unrestricted	(56,679,222)	2,384,559
<b>Total Net Position</b>	<b>\$ (26,220,170)</b>	<b>\$ 32,526,349</b>

A large component of the School District's net position (77.1%) is its investment in capital assets, less any outstanding related debt used to acquire those assets. The School District uses these capital assets to provide services to students and therefore, 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.

As of June 30, 2018, the School District reported a net pension, liability and deferred inflows and outflows as calculated by the New York State Teachers' and Local Employees' Retirement systems. This asset and the net deferrals are not in custody of, nor are they accessible by the School District; rather these represent the School District's share of the calculated excess/shortfall of the respective retirement systems. Please see Note 3D of the financial statements for more information on these pension items.

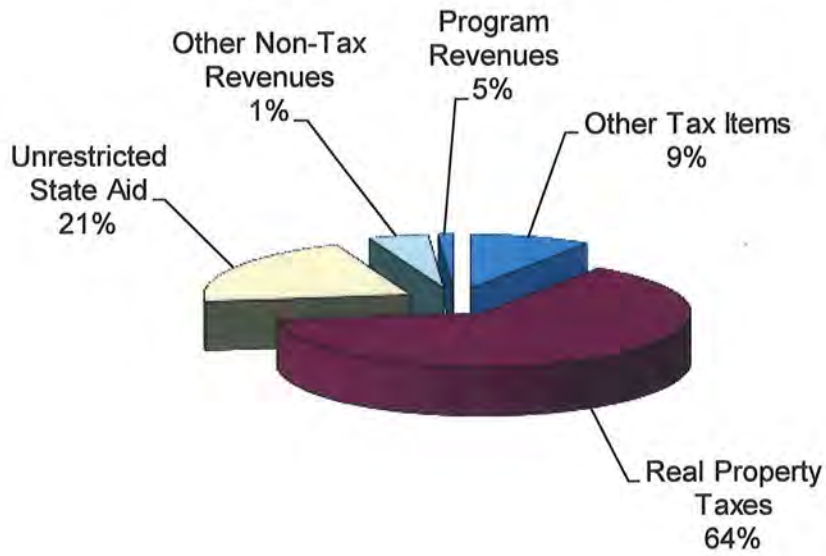
The restricted net position subject to external restrictions constitute is \$10,240,232.

Net position decreased by \$1,284,625 for the year ended June 30, 2018.

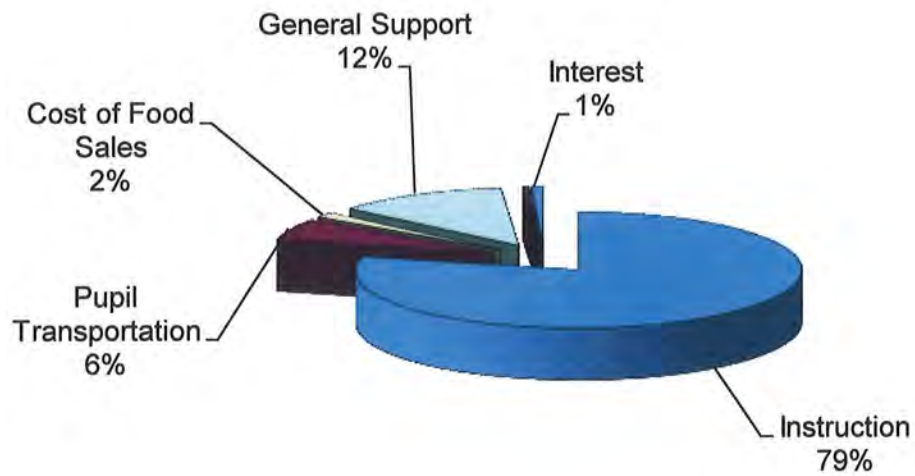
### Changes in Net Position

	Years Ended June 30,	
	2018	2017
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 781,700	\$ 797,459
Operating Grants and Contributions	1,518,605	1,635,750
Capital Grants and Contributions	3,933	71
Total Program Revenues	2,304,238	2,433,280
<b>General Revenues</b>		
Real Property Taxes	31,164,016	30,712,908
Other Tax Items	4,602,321	4,762,889
Non-Property Taxes	53,856	50,924
Unrestricted Earnings on Investments	272,134	125,618
Unrestricted State Aid	10,259,883	10,103,625
Miscellaneous	264,485	270,219
Total General Revenues	46,616,695	46,026,183
Total Revenues	48,920,933	48,459,463
<b>Program Expenses</b>		
General Support	6,239,934	5,370,976
Instruction	39,655,046	39,246,465
Pupil Transportation	2,900,187	2,727,157
Cost of Food Sales	764,225	619,121
Other	230,475	212,770
Interest	415,691	442,268
Total Program Expenditures	50,205,558	48,618,757
Change in Net Position	(1,284,625)	(159,294)
<b>Net Position</b>		
Beginning - as reported	32,526,349	32,685,643
Cumulative effect of Change in Accounting Principle	(57,461,894)	-
Beginning - as restated	(24,935,545)	32,685,643
Ending	\$ (26,220,170)	\$ 32,526,349

### Revenues by Sources for Fiscal Year 2018



### Expenses for Fiscal Year 2018 Governmental Activities



### **The major changes are as follows:**

#### **Revenues**

- The School District relies upon real property taxes (64%) as its primary revenue source.
- Real property Taxes: The reason for the increase is attributed to a fact that in prior year levy was decrease by \$370,000 after the budget was passed; which inflated current years' difference.
- Use of money and property: The reason for the increase in this category is due to a fact that the District could invest in NYCLASS long term. NYCLASS had great interest rates throughout the year.

#### **Expenditures**

- Central Services: The reason for the increase is attributed to expenses associated with new modular administration building that had to be purchased during school year.
- Special items: At the end of the school year the district received a "curtesy copy" of the proposed judgment for one of the tax certioraris for approx. \$178,000. At the end of the school year district encumbered this amount; therefore, the increase in this category.
- Instruction: Current year increase is due to retirement incentive accrual of approximately \$250,000. The remaining increase of approximately \$250,000 is attributed to a fact that in the current year the district had increases in contractual expenses and the district added some instructional positions during the year to address class size and teachers on leave.
- Debt Service: The reason for a decrease of approximately \$480,000 is attributed to the fact that in the prior year the entire debt service principle and interest was covered by the General Fund. In the current year, the Debt Service Fund covered part of principle and interest.

### **Fund Balance Reporting**

GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in February 2009. The requirements of GASB Statement No. 54 became effective for financial statements beginning with the period 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.

### **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.

#### ***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 \$22,195,478 an increase of \$4,793,877 from the prior year. Of this amount, the *unassigned* fund balance of \$2,052,236 is available for spending at the School District's discretion. The remainder of fund balances is either Nonspendable, Restricted, or Assigned to indicate they're unavailable for spending because they have already been committed to honor the specific purposes for which it can be spent. The nonspendable fund balance of \$284,356 consists of assets that are inherently unspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, and principal of endowments. The restricted fund balance of \$18,033,855 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. Included within the restricted fund balances are reserves for tax certiorari \$467,876, tax certiorari for subsequent year's expenditures \$500,000, employee benefit accrued liability \$477,334, employee benefit accrued liability for subsequent year's expenditures \$500,000, retirement contributions \$1,817,984, retirement contributions for subsequent year's expenditures \$500,000, property loss and liability of \$127,412, repairs restriction of \$30,599, future capital projects of \$1,367,734 debt service



\$5,337,020, and capital projects \$6,816,289. The assigned fund balance of \$1,825,031 consists of amounts that are subject to a purpose constraint that represents an intended use established by the Board of Education. Included within the assigned fund balances are encumbrances of \$887,106 and a designation for subsequent year's expenditures of \$718,403.

### **General Fund Budgetary Highlights**

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 \$9,722,696, of which \$2,052,236 or 4% of the ensuing year's budget was unassigned. As previously mentioned, New York State Law limits the amount of unassigned fund balance that can be retained to 4.0% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget.

General Fund revenue received was \$255,061 more than budgeted. The positive variance resulted mostly in Earnings on Investments revenue being more than anticipated based on the district invested in CLASS, which resulted in more revenue than originally budgeted.

Expenditures were below the final budget. After encumbrances of \$887,106 expenditure savings were \$865,614. Savings were exhibited throughout the budget. General Support, Instruction and Employee Benefits.

The original General Fund budget anticipated the use of \$2,576,541 of fund balance; \$918,223 from prior year encumbrances and \$1,658,318 from assigned fund balance.

### **Capital Assets**

At June 30, 2018, the School District had \$30,237,049, net of accumulated depreciation invested in capital assets, including land, buildings and improvements, machinery and equipment and construction-in-progress. The change in capital assets, net of accumulated depreciation, is reflected below.

<u>Class</u>	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 2,891,200	\$ 2,891,200
Construction-in-Progress	17,850	50,686
Buildings and Improvements	25,190,889	25,595,555
Machinery and Equipment	<u>2,137,110</u>	<u>1,802,284</u>
Total Capital Assets, net of accumulated depreciation	<u>\$ 30,237,049</u>	<u>\$ 30,339,725</u>

More detailed information about the School District's capital assets is presented in the notes to the 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	\$ 10,587,346	\$ 12,661,020
Energy Performance Contract Payable	6,921,212	-
Compensated Absences	477,334	1,505,118
Net Pension Liability	580,338	2,932,397
Other Post Employment Benefit Obligations Payable	<u>69,965,486</u>	<u>11,342,242</u>
Total	<u>\$ 88,531,716</u>	<u>\$ 28,440,777</u>

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

### Requests for Information

This financial report is designed to provide a general overview of the finances of the Putnam Valley Central School District, New York 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:

Putnam Valley Central School District  
Attn: Jill Figarella  
District Treasurer  
171 Oscawana Lake Rd.  
Putnam Valley, NY 10579

**Putnam Valley Central School District, New York**

Statement of Net Position  
June 30, 2018

	Governmental Activities
<b>ASSETS</b>	
Cash and equivalents	\$ 3,240,325
Restricted cash	6,923,404
Investments	13,289,273
Receivables	
Accounts	66,620
State and Federal aid	1,343,196
Due from other governments	726,763
Inventories	8,344
Prepaid expenses	276,012
Net pension asset	896,824
Capital assets	
Not being depreciated	2,909,050
Being depreciated, net	27,327,999
Total Assets	57,007,810
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	13,859,370
<b>LIABILITIES</b>	
Accounts payable	802,165
Accrued liabilities	252,225
Unearned revenues	357,304
Due to other governments	420
Due to retirement systems	2,266,345
Accrued interest payable	98,094
Non-current liabilities	
Due within one year	1,985,130
Due in more than one year	86,546,586
Total Liabilities	92,308,269
<b>DEFERRED INFLOWS OF RESOURCES</b>	4,779,081
<b>NET POSITION</b>	
Net investment in capital assets	20,218,820
Restricted	
Future capital projects	1,367,734
Repairs	30,599
Special purpose	91,607
Property loss and liability	127,412
Tax certiorari	467,876
Debt service	5,337,020
Retirement contributions	1,817,984
Unrestricted	(55,679,222)
Total Net Position	\$ (26,220,170)

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

Putnam Valley Central School District, New York

Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General support	\$ 6,239,934	\$ 314	\$ 4,521	\$ -
Instruction	39,655,046	281,944	1,075,574	-
Pupil transportation	2,900,187	-	-	-
Cost of food sales	764,225	499,442	262,943	-
Other	230,475	-	175,567	-
Interest	415,691	-	-	3,933
Total Governmental Activities	<u>\$ 50,205,558</u>	<u>\$ 781,700</u>	<u>\$ 1,518,605</u>	<u>\$ 3,933</u>

General revenues

Real property taxes

Other tax items

School tax relief reimbursement

Interest and penalties on real property taxes

Non-property taxes

Non-property tax distribution from County

Unrestricted earnings on investments

Unrestricted State aid

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning as reported

Cumulative Effect of Change in Accounting Principle

Net Position - Beginning as restated

Net Position - Ending

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

<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>	
\$	(6,235,099)
	(38,297,528)
	(2,900,187)
	(1,840)
	(54,908)
	<u>(411,758)</u>
	 (47,901,320)
	 31,164,016
	 4,556,585
	45,736
	 53,856
	272,134
	10,259,883
	<u>264,485</u>
	 46,616,695
	 (1,284,625)
	 32,526,349
	<u>(57,461,894)</u>
	 (24,935,545)
\$	<u><u>(26,220,170)</u></u>

Putnam Valley Central School District, New York

Balance Sheet  
Governmental Funds  
June 30, 2018

	General	Special Aid	Debt Service
<b>ASSETS</b>			
Cash and equivalents	\$ 2,269,416	\$ 475,279	\$ -
Restricted cash	-	-	-
Investments	13,289,273	-	-
Receivables			
Accounts	66,380	-	-
State and Federal aid	215,410	757,129	-
Due from other governments	726,763	-	-
Due from other funds	1,589,712	-	5,337,020
Inventories	-	-	-
Prepaid expenditures	276,012	-	-
Total Assets	<u>\$ 18,432,966</u>	<u>\$ 1,232,408</u>	<u>\$ 5,337,020</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 729,125	\$ -	\$ -
Accrued liabilities	252,225	-	-
Due to other funds	5,462,575	1,232,408	-
Unearned revenues	-	-	-
Due to other governments	-	-	-
Due to retirement systems	2,266,345	-	-
Total Liabilities	<u>8,710,270</u>	<u>1,232,408</u>	<u>-</u>
Fund balances			
Nonspendable	276,012	-	-
Restricted	5,788,939	-	5,337,020
Assigned	1,605,509	-	-
Unassigned	2,052,236	-	-
Total Fund Balances	<u>9,722,696</u>	<u>-</u>	<u>5,337,020</u>
Total Liabilities and Fund Balances	<u>\$ 18,432,966</u>	<u>\$ 1,232,408</u>	<u>\$ 5,337,020</u>

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

Capital Projects	Non-Major Governmental	Total Governmental Funds
\$ 176,956	\$ 318,674	\$ 3,240,325
6,923,404	-	6,923,404
-	-	13,289,273
-	240	66,620
357,304	13,353	1,343,196
-	-	726,763
628,371	38,221	7,593,324
-	8,344	8,344
-	-	276,012
<u>\$ 8,086,035</u>	<u>\$ 378,832</u>	<u>\$ 33,467,261</u>
\$ 14,101	\$ 58,939	\$ 802,165
-	-	252,225
898,341	-	7,593,324
357,304	-	357,304
-	420	420
-	-	2,266,345
<u>1,269,746</u>	<u>59,359</u>	<u>11,271,783</u>
-	8,344	284,356
6,816,289	91,607	18,033,855
-	219,522	1,825,031
-	-	2,052,236
<u>6,816,289</u>	<u>319,473</u>	<u>22,195,478</u>
<u>\$ 8,086,035</u>	<u>\$ 378,832</u>	<u>\$ 33,467,261</u>

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**Putnam Valley Central School District, New York**

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

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Fund Balances - Total Governmental Funds	\$ 22,195,478
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.	30,237,049
Governmental funds do not report the effect of losses on refunding bonds and assets or liabilities related to net pension assets (liabilities) whereas these amount are deferred and amortized in the statement of activities.	
Deferred amounts on refunding bonds	316,736
Deferred amounts on net pension liabilities	8,763,553
	9,080,289
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Net pension asset	896,824
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(98,094)
Bonds payable	(10,587,346)
Energy performance contract payable	(6,921,212)
Net pension liabilities	(580,338)
Compensated absences	(477,334)
Other post employment benefit obligations payable	(69,965,486)
	(88,629,810)
Net Position of Governmental Activities	\$ (26,220,170)

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

**Putnam Valley Central School District, New York**

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

	General	Special Aid	Debt Service	Capital Projects
<b>REVENUES</b>				
Real property taxes	\$ 31,164,016	\$ -	\$ -	\$ -
Other tax items	4,602,321	-	-	-
Non-property taxes	53,856	-	-	-
Charges for services	281,944	-	-	-
Use of money and property	278,412	-	2,490	-
State aid	10,495,848	277,409	-	-
Federal aid	-	562,200	-	-
Food sales	-	-	-	-
Miscellaneous	264,485	-	-	-
<b>Total Revenues</b>	<b>47,140,882</b>	<b>839,609</b>	<b>2,490</b>	<b>-</b>
<b>EXPENDITURES</b>				
Current				
General support	5,005,589	-	-	-
Instruction	28,266,641	908,961	-	-
Pupil transportation	2,476,181	-	-	-
Employee benefits	10,656,435	-	-	-
Cost of food sales	-	-	-	-
Other	-	-	-	-
Debt service				
Principal	-	-	1,680,000	-
Interest	-	-	423,825	-
Capital outlay	-	-	-	644,795
<b>Total Expenditures</b>	<b>46,404,846</b>	<b>908,961</b>	<b>2,103,825</b>	<b>644,795</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>736,036</b>	<b>(69,352)</b>	<b>(2,101,335)</b>	<b>(644,795)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Energy performance contract issued	-	-	-	6,921,212
Transfers in	-	69,352	1,183,384	52,060
Transfers out	(1,304,796)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,304,796)</b>	<b>69,352</b>	<b>1,183,384</b>	<b>6,973,272</b>
<b>Net Change in Fund Balances</b>	<b>(568,760)</b>	<b>-</b>	<b>(917,951)</b>	<b>6,328,477</b>
<b>FUND BALANCES</b>				
Beginning of Year	10,291,456	-	6,254,971	487,812
End of Year	\$ 9,722,696	\$ -	\$ 5,337,020	\$ 6,816,289

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

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 31,164,016
-	4,602,321
-	53,856
-	281,944
599	281,501
10,396	10,783,653
236,337	798,537
499,442	499,442
191,178	455,663
<u>937,952</u>	<u>48,920,933</u>
-	5,005,589
-	29,175,602
-	2,476,181
-	10,656,435
755,366	755,366
230,475	230,475
-	1,680,000
-	423,825
-	644,795
<u>985,841</u>	<u>51,048,268</u>
<u>(47,889)</u>	<u>(2,127,335)</u>
-	6,921,212
-	1,304,796
-	(1,304,796)
<u>-</u>	<u>6,921,212</u>
(47,889)	4,793,877
<u>367,362</u>	<u>17,401,601</u>
<u>\$ 319,473</u>	<u>\$ 22,195,478</u>

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**Putnam Valley Central School District, New York**

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

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

Net Change in Fund Balances - Total Governmental Funds	\$ 4,793,877
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	956,604
Depreciation expense	<u>(1,059,280)</u>
	<u>(102,676)</u>

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

Energy performance contract issued	(6,921,212)
Principal paid on serial bonds	1,680,000
Amortization of loss on refunding bonds and issuance premium	<u>(346,915)</u>
	<u>(5,588,127)</u>

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

Accrued interest	(80,435)
Compensated absences	1,027,784
Pension liabilities	(173,698)
Other post employment benefit obligations	<u>(1,161,350)</u>
	<u>(387,699)</u>

Change in Net Position of Governmental Activities	<u>\$ (1,284,625)</u>
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The notes to the financial statements are an integral part of this statement.

**Putnam Valley Central School District, New York**

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

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Real property taxes	\$ 31,219,236	\$ 31,219,236	\$ 31,164,016	\$ (55,220)
Other tax items	4,596,585	4,596,585	4,602,321	5,736
Non-property taxes	-	-	53,856	53,856
Charges for services	400,000	400,000	281,944	(118,056)
Use of money and property	60,000	60,000	278,412	218,412
State aid	10,415,000	10,415,000	10,495,848	80,848
Federal aid	-	-	-	-
Miscellaneous	195,000	195,000	264,485	69,485
<b>Total Revenues</b>	<b>46,885,821</b>	<b>46,885,821</b>	<b>47,140,882</b>	<b>255,061</b>
<b>EXPENDITURES</b>				
Current				
General support	4,955,228	5,829,556	5,005,589	823,967
Instruction	29,197,756	29,177,837	28,266,641	911,196
Pupil transportation	2,629,893	2,484,132	2,476,181	7,951
Employee benefits	11,336,101	10,666,041	10,656,435	9,606
<b>Total Expenditures</b>	<b>48,118,978</b>	<b>48,157,566</b>	<b>46,404,846</b>	<b>1,752,720</b>
Excess (Deficiency) of Revenues Over Expenditures	(1,233,157)	(1,271,745)	736,036	2,007,781
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(1,343,384)	(1,304,796)	(1,304,796)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,343,384)</b>	<b>(1,304,796)</b>	<b>(1,304,796)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(2,576,541)</b>	<b>(2,576,541)</b>	<b>(568,760)</b>	<b>2,007,781</b>
<b>FUND BALANCES</b>				
Beginning of Year	2,576,541	2,576,541	10,291,456	7,714,915
End of Year	\$ -	\$ -	\$ 9,722,696	\$ 9,722,696

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

Special Aid Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
277,409	277,409	277,409	-
554,777	570,823	562,200	(8,623)
-	-	-	-
832,186	848,232	839,609	(8,623)
-	-	-	-
917,186	917,584	908,961	8,623
-	-	-	-
-	-	-	-
917,186	917,584	908,961	8,623
(85,000)	(69,352)	(69,352)	-
85,000	69,352	69,352	-
-	-	-	-
85,000	69,352	69,352	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Putnam Valley Central School District, New York

Statement of Assets and Liabilities  
Fiduciary Fund  
June 30, 2018

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and equivalents	<u>\$ 107,310</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 155
Student activity funds	<u>107,155</u>
Total Liabilities	<u>\$ 107,310</u>

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



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

The Putnam Valley Central School District, New York ("School District"), as presently constituted, was established in 1934 and operates in accordance with the provisions of the Education Law of the State of New York. The Board of Education is the legislative body responsible for overall operation of the School District and is elected by the voters of the School District. The Superintendent serves as the chief executive officer. The School District's primary function is to provide education for its pupils. Services such as transportation of pupils, administration, finance and plant maintenance support the primary function.

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

**A. Financial Reporting Entity**

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

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

The School District participates in the Putnam-Northern Westchester Board of Cooperative Educational Services ("BOCES"). 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 the ratio which the component school district's full value of taxable properties in effect at the time of adoption bears to the total full value of taxable properties of all component school districts within the BOCES as defined in Education Law. Copies of BOCES' financial statements can be requested from Putnam-Northern Westchester BOCES, 200 BOCES Drive, Yorktown Heights, New York, 10598.

**B. District-Wide Financial Statements**

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

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

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

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

**C. Fund Financial Statements**

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

**Fund Categories**

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

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

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

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

Special Aid Fund - The Special Aid Fund is used to account for special projects or programs supported in whole or in part with Federal or State Funds. The major revenues of this fund are State and Federal aid.

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.

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.

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.

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

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

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

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

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

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 revenue when the expenditure is made. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, net pension liability and other post employment benefit obligations are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

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.

The School District utilizes a pooled investment concept for all governmental funds to facilitate its investment program. Investment income from this pooling is allocated to the respective funds based upon the sources of funds invested.

**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.

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

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.

The School District participates in the Cooperative Liquid Assets Securities System ("CLASS"), a cooperative investment pool, established pursuant to Articles 3A and 5G of General Municipal Law of the State of New York. CLASS has designated Public Trust Advisors, LLC as its registered investment advisor. Public Trust Advisors, LLC is registered with the Securities and Exchange Commission ("SEC"), and is subject to all of the rules and regulations of an investment advisor handling public funds. As such, the SEC provides regulatory oversight of CLASS.

The pool is authorized to invest in various securities issued by the United States and its agencies, obligations of the State of New York and repurchase agreements. These investments are reported at fair value. CLASS issues separately available audited financial statements with a year end of June 30<sup>th</sup>.

The School District's position in the pool is equal to the value of the pool shares. The maximum maturity for any specific investment in the portfolio is 397 days. CLASS is rated AAAM by Standard & Poor's. Local government investment cooperatives in this rating category meet the highest standards for credit quality, conservative investment policies and safety of principal. The cooperative invests in a high quality portfolio of investments legally permissible for municipalities and school districts in the State.

Additional information concerning the cooperative is presented in the annual report of CLASS, which may be obtained from Public Trust Advisors, LLC, 717 17<sup>th</sup> Street, Suite 1850, Denver, CO 80202.

**Risk Disclosure**

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

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

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

covered by depository insurance were not exposed to custodial credit risk at June 30, 2018.

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

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

**Restricted Cash** - Restricted cash of the Capital Projects Fund consist of energy performance contract proceeds which are currently being held by U.S. BankCorp Government Leasing and Finance, Inc. These funds are to be used for the School's energy performance project.

**Property Taxes Receivable** - Real property taxes attach as an enforceable lien on real property as of July 1st and are levied and payable on that date. The School District is responsible for the billing and collection of taxes through October 31st, at which time the responsibility for uncollected taxes is transferred to the County. On or about April 1st, the County remits to the School District the balance of all uncollected taxes thus making the School District whole.

**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 expenses/expenditures are incurred. Allowances are recorded when appropriate.

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

**Inventories** - Inventories in the School Lunch Fund consist of 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 received. 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 consists of insurance costs and other charges for services, which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent years budget and will benefit such periods. Reported amounts are equally offset by nonspendable fund balance in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

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

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

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

Land and construction-in-progress are not depreciated. Property, plant and equipment of the 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	20-50
Machinery and Equipment	8-20

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

**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 of resources and deferred 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 and Local Employees' Retirement System	\$ 1,666,171	\$ 1,874,483
New York State Teachers' Retirement System	11,876,463	2,904,598
Deferred Loss on Refunding Bonds	316,736	-
	<u>\$ 13,859,370</u>	<u>\$ 4,779,081</u>

The amount reported for the deferred loss on the refunding 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.

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

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

**Fund Balance** - Generally, fund balance represents the difference between the 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



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

requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or 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 designations established and approved by the Board of Education.

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

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

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

**F. Encumbrances**

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

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

**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 September 20, 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.
- 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.

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

- f) Formal budgetary integration is employed during the year as a management control device for the General and Special Aid funds.
- g) Budgets for the General and Special Aid funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the Debt Service, School Lunch or Special Purpose 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 the General and Special Aid funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

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

**B. Limitation on Fund Balance**

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

**C. Property Tax Limitation**

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

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

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

**Note 2 - Stewardship, Compliance and Accountability (Continued)****D. Capital Projects Fund Deficit**

The following individual capital project had a deficit fund balance in the amount indicated:

Smart Schools Bond Act	\$357,304
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This deficit 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 \$(57,461,894).

**Note 3 - Detailed Notes on All Funds****A. Due From/To Other Funds**

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

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 1,589,712	\$ 5,462,575
Special Aid	-	1,232,408
Debt Service	5,337,020	-
Capital Projects	628,371	898,341
Non-Major Governmental	38,221	-
	<u>\$ 7,593,324</u>	<u>\$ 7,593,324</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.

**Putnam Valley Central School District, New York**Notes to Financial Statements (Continued)  
June 30, 2018**Note 3 - Detailed Notes on All Funds (Continued)****B. Capital Assets**

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

Class	July 1, 2007, as reported	Reclassification	July 1, 2007, as restated	Additions	Deletions	Balance June 30, 2018
Capital Assets, not being depreciated						
Land	\$ 2,891,200	\$ -	\$ 2,891,200	\$ -	\$ -	\$ 2,891,200
Construction-in-Progress	50,686	-	50,686	17,850	50,686	17,850
Total Capital Assets, not being depreciated	<u>\$ 2,941,886</u>	<u>\$ -</u>	<u>\$ 2,941,886</u>	<u>\$ 17,850</u>	<u>\$ 50,686</u>	<u>\$ 2,909,050</u>
Capital Assets, being depreciated						
Buildings and Improvements	\$ 39,855,165	763,487	40,618,652	\$ 493,718	\$ -	\$ 40,348,883
Machinery and Equipment	3,039,938	(764,620)	2,275,318	495,722	-	3,535,660
Total Capital Assets, being depreciated	<u>42,895,103</u>	<u>(1,133)</u>	<u>42,893,970</u>	<u>989,440</u>	<u>-</u>	<u>43,884,543</u>
Less Accumulated Depreciation for						
Buildings and Improvements	14,259,610	(26,627)	14,232,983	898,384	-	15,157,994
Machinery and Equipment	1,237,654	25,494	1,263,148	160,896	-	1,398,550
Total Accumulated Depreciation	<u>15,497,264</u>	<u>(1,133)</u>	<u>15,496,131</u>	<u>1,059,280</u>	<u>-</u>	<u>16,556,544</u>
Total Capital Assets, being depreciated, net	<u>\$ 27,397,839</u>	<u>\$ -</u>	<u>\$ 27,397,839</u>	<u>\$ (69,840)</u>	<u>\$ -</u>	<u>\$ 27,327,999</u>
Capital Assets, net	<u>\$ 30,339,725</u>	<u>\$ -</u>	<u>\$ 30,339,725</u>	<u>\$ (51,990)</u>	<u>\$ 50,686</u>	<u>\$ 30,237,049</u>

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

General Support	\$ 93,864
Instruction	851,171
Pupil Transportation	67,653
Cost of Food Sales	<u>46,592</u>
Total Depreciation Expense	<u>\$ 1,059,280</u>

**C. Accrued Liabilities**

Accrued liabilities at June 30, 2018 were as follows:

	<u>General Fund</u>
Payroll and Employee Benefits	<u>\$ 252,225</u>

**Putnam Valley Central School District, New York**Notes to Financial Statements (Continued)  
June 30, 2018**Note 3 - Detailed Notes on All Funds (Continued)****D. 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	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	\$ 10,934,911	\$ -	\$ 10,934,911	\$ -	\$ 1,680,000	\$ 9,254,911	\$ 1,565,000
Plus							
Unamortized premium on bonds	1,726,109	-	1,726,109	-	393,674	1,332,435	-
	12,661,020	-	12,661,020	-	2,073,674	10,587,346	1,565,000
Other Non-current Liabilities							
Energy Performance Contract Payable	-	-	-	6,921,212	-	6,921,212	372,130
Net Pension Liability	2,932,397	-	2,932,397	-	2,352,059	580,338	-
Compensated Absences	1,505,118	-	1,505,118	-	1,027,784	477,334	48,000
Other Post Employment Benefit Obligations Payable	11,342,242	57,461,894	68,804,136	3,193,240	2,031,890	69,965,486	-
Total Long-Term Liabilities	\$ 28,440,777	\$ 57,461,894	\$ 85,902,671	\$ 10,114,452	\$ 7,485,407	\$ 88,531,716	\$ 1,985,130

The liabilities for bonds, compensated absences, energy performance contract, net pension liability and other post employment benefit obligations are liquidated 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 Rates	Amount Outstanding at June 30, 2018
Refunding bonds	2015	\$ 9,545,000	June, 2028	4.0 - 5.0 %	\$ 6,759,911
Refunding bonds	2014	4,850,000	June, 2021	2.0 - 2.5	2,495,000
					<u>\$ 9,254,911</u>

Interest expenditures of \$423,825 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$333,115 was recorded in the district-wide financial statements.

**Energy Performance Contract**

The School District entered into a lease agreement to finance the costs of the energy performance contract payable. The terms of this agreement provided for the repayment of the principal amount of \$6,921,212 in annual installments through February, 2033. This interest rate is 3.318%. Interest expense of \$82,576 was recorded in the district-wide financial statements.

**Putnam Valley Central School District, New York**

Notes to Financial Statements (Continued)  
 June 30, 2018

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

The annual requirements to amortize all bonded debt outstanding as of June 30, 2018 including interest payments of \$3,848,593 are as follows:

Year Ending June 30,	Bonds Payable		Energy Performance Contract		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,565,000	\$ 372,425	\$ 372,130	\$ 215,416	\$ 1,937,130	\$ 587,841
2020	1,555,000	326,125	383,294	220,634	1,938,294	546,759
2021	1,555,000	278,450	394,793	207,721	1,949,793	486,171
2022	695,000	229,000	406,636	194,421	1,101,636	423,421
2023	685,000	194,250	418,835	180,721	1,103,835	374,971
2024-2028	3,199,911	472,500	2,290,365	683,293	5,490,276	1,155,793
2029-2033	-	-	2,655,159	273,637	2,655,159	273,637
	<u>\$ 9,254,911</u>	<u>\$ 1,872,750</u>	<u>\$ 6,921,212</u>	<u>\$ 1,975,843</u>	<u>\$ 16,176,123</u>	<u>\$ 3,848,593</u>

The above general obligation bonds 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.

**Pension Plans***New York State and Local Retirement System and Teachers' Retirement System*

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

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

public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The TRS issues a stand-alone financial report which may be found at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

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	2 75I	19.8 %
	4 A15	16.1
	5 A15	13.2
	6 A15	9.4
TRS	1-6	9.8 %

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Net pension liability (asset)	\$ 580,338	\$ (896,824)
School Districts' proportion of the net pension liability (asset)	0.017981 %	0.117988 %
Change in proportion since the prior measurement date	(0.000338) %	0.00491 %

The net pension liability 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 liability for TRS was based on the School District's contributions to the pension plan relative to the contributions of all participating members.



**Putnam Valley Central School District, New York**

Notes to Financial Statements (Continued)  
June 30, 2018

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

For the year ended June 30, 2018, the School District recognized pension expense in the district-wide financial statements of \$2,883,891 (\$698,845 for ERS and \$2,185,046 for TRS). Pension expenditures of \$2,691,913 (\$735,015 for ERS and \$1,956,898 for TRS) and \$18,280 (\$11,245 for ERS and \$7,035 for TRS) were recorded in the fund financial statements and were charged to the General and Special Aid Funds, respectively.

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	\$ 206,988	\$ 171,047	\$ 737,866	\$ 349,661
Changes of assumptions	384,812	-	9,125,355	-
Net difference between projected and actual earnings on pension plan investments	842,894	1,663,789	-	2,112,279
Changes in proportion and differences between School District contributions and proportionate share of contributions	58,897	39,647	13,580	442,658
School District contributions subsequent to the measurement date	172,580	-	1,999,662	-
	<u>\$ 1,666,171</u>	<u>\$ 1,874,483</u>	<u>\$ 11,876,463</u>	<u>\$ 2,904,598</u>
<b>Total</b>				
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 944,854	\$ 520,708		
Changes of assumptions	9,510,167	-		
Net difference between projected and actual earnings on pension plan investments	842,894	3,776,068		
Changes in proportion and differences between School District contributions and proportionate share of contributions	72,477	482,305		
School District contributions subsequent to the measurement date	2,172,242	-		
	<u>\$ 13,542,634</u>	<u>\$ 4,779,081</u>		

\$172,580 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 \$1,999,662 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:

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

Year Ended	March 31, ERS	June 30, TRS
2018	\$ -	\$ 138,008
2019	121,478	2,344,762
2020	102,479	1,658,177
2021	(415,321)	359,375
2022	(189,528)	1,653,150
Thereafter	-	818,731

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.

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

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

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>	

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:

**Putnam Valley Central School District, New York**

Notes to Financial Statements (Continued)  
 June 30, 2018

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the ERS net pension liability	<u>\$ 4,390,990</u>	<u>\$ 580,338</u>	<u>\$ 2,643,322</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>\$ 15,449,616</u>	<u>\$ (896,824)</u>	<u>\$ (14,586,155)</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 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Employee contributions are remitted monthly.

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

Accrued retirement contributions as of June 30, 2018 were \$172,580 to ERS and \$2,093,765 to TRS (including employee contribution of \$140,117).

**Compensated Absences**

Under the terms of the existing collective bargaining agreements, the School District is required to compensate teachers retiring from the School District for accumulated sick time to a maximum of 300 days. Teachers will be compensated at \$50 per day for unused leave up to 100 days and \$100 per day from 101-300 days. In addition, pursuant to existing collective bargaining agreements, the School District is required to compensate employees retiring from the School District for

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

accumulated sick time to a maximum of 300 days for the twelve month employees and 250 days for ten month employees. Employees will be compensated at a rate of \$45 and \$40 per day, respectively, for any accumulations over 100 days. No payment will be made by the School District for unused vacation time upon separation from employment. The value of the compensated absences has been reflected in the district-wide financial statements.

**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 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	156
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>279</u>
	<u><u>435</u></u>

The School District's total OPEB liability of \$69,965,486 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

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

Salary increases	3%, average, including inflation
Discount rate	3.7%
Healthcare cost trend rates	7.0% for 2019, decreasing 0.5% per year to an ultimate rate of 4.0% for 2025 and later years
Retirees' share of benefit-related costs	Retiree contribution rates vary by employee class and date of retirement.

The discount rate was based on an average of three 20-year bond indices (e.g., Bond Buys, 20 Bond G0, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of March 28, 2018.

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

Mortality rates were based on the Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using Projection Scale AA for 3.50 years plus ten years additional mortality improvement.

The actuarial assumptions used in the June 30, 2018 valuation reflects the retirement from the active plan and is based on age and gender period. This is the assumption used by the TRS and ERS.

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	\$ 68,804,136
Service cost	685,077
Interest	2,508,163
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	<u>(2,031,890)</u>
Total OPEB Liability - End of Year	<u>\$ 69,965,486</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 (2.7%) or 1 percentage point higher (4.7%) than the current discount rate:

	1% Decrease (2.7%)	Current Assumption (3.7%)	1% Increase (4.7%)
Total OPEB Liability	<u>\$ 85,189,223</u>	<u>\$ 69,965,486</u>	<u>\$ 58,740,398</u>

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.0% decreasing to 3.0%) or 1 percentage point higher (8.0% decreasing to 5.0%) than the current healthcare cost trend rates:

	1% Decrease (6.0% decreasing to 3.0%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.0%)	1% Increase (8.0% decreasing to 5.0%)
Total OPEB Liability	<u>\$ 57,283,926</u>	<u>\$ 69,965,486</u>	<u>\$ 88,822,838</u>

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

For the year ended June 30, 2018 the School District recognized OPEB expense of \$2,031,890 in the district-wide financial statements. At June 30, 2018, no amounts were reported in deferred outflows/inflows of resources.

**G. Revenues and Expenditures****Interfund Transfers**

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

Transfers Out	Transfers In			Total
	Special Aid Fund	Debt Service Fund	Capital Projects Fund	
General Fund	\$ 69,352	\$ 1,183,384	\$ 52,060	\$ 1,304,796

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

**H. 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 are directly attributable to the acquisition, construction or improvement of those assets.

*Restricted for Future Capital Projects* - the component of net position that has been established pursuant to General Municipal Law to set aside funds to be used for future capital projects.

*Restricted for Repairs* - the component of net position that has been established pursuant to Section 6d of General Municipal Law to pay the cost of major repairs to School District assets.

*Restricted for Special Purpose* - 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.

*Restricted for Property Loss and Liability* - the component of net position that has been established to set aside funds for the deductible provisions of the School District's insurance policies in accordance with Section 6n of General Municipal Law.

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

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

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

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

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



# Putnam Valley Central School District, New York

Notes to Financial Statements (Continued)  
June 30, 2018

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

### I. Fund Balances

	2018					2017				
	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Nonspendable										
Inventories	\$ -	\$ -	\$ -	\$ 8,344	\$ 8,344	\$ -	\$ -	\$ -	\$ 8,501	\$ 8,501
Prepaid expenditures	276,012	-	-	-	276,012	292,035	-	-	-	292,035
Total Nonspendable	276,012	-	-	8,344	284,356	292,035	-	-	8,501	300,536
Restricted										
Repairs	30,599	-	-	-	30,599	30,553	-	-	-	30,553
Property loss and liability	127,412	-	-	-	127,412	127,221	-	-	-	127,221
Tax certiorari	467,876	-	-	-	467,876	1,040,746	-	-	-	1,040,746
Tax certiorari for subsequent year's expenditures	500,000	-	-	-	500,000	225,000	-	-	-	225,000
Employee benefit accrued liability	477,334	-	-	-	477,334	1,505,119	-	-	-	1,505,119
Employee benefit accrued liability for subsequent year's expenditures	500,000	-	-	-	500,000	400,000	-	-	-	400,000
Retirement contributions	1,817,984	-	-	-	1,817,984	1,815,261	-	-	-	1,815,261
Retirement contributions for subsequent year's expenditures	500,000	-	-	-	500,000	300,000	-	-	-	300,000
Future capital projects	1,367,734	-	-	-	1,367,734	962,291	-	-	-	962,291
Debt service	-	5,337,020	-	-	5,337,020	-	6,254,971	-	-	6,254,971
Capital projects	-	-	6,816,289	-	6,816,289	-	-	487,812	-	487,812
Trusts	-	-	-	91,607	91,607	-	-	-	146,515	146,515
Total Restricted	5,788,939	5,337,020	6,816,289	91,607	18,033,855	6,406,191	6,254,971	487,812	146,515	13,295,489
Assigned										
Purchases on order										
General government support	581,666	-	-	-	581,666	592,741	-	-	-	592,741
Instruction	303,972	-	-	-	303,972	317,482	-	-	-	317,482
Pupil transportation	34	-	-	-	34	-	-	-	-	-
Employee benefits	1,434	-	-	-	1,434	8,000	-	-	-	8,000
	887,106	-	-	-	887,106	918,223	-	-	-	918,223
Subsequent year's expenditures	718,403	-	-	-	718,403	733,318	-	-	-	733,318
School Lunch Fund	-	-	-	219,522	219,522	-	-	-	212,346	212,346
Total Assigned	1,605,509	-	-	219,522	1,825,031	1,651,541	-	-	212,346	1,863,887
Unassigned	2,052,236	-	-	-	2,052,236	1,941,689	-	-	-	1,941,689
Total Fund Balance	\$ 9,722,696	\$ 5,337,020	\$ 6,816,289	\$ 319,473	\$ 22,195,478	\$ 10,291,456	\$ 6,254,971	\$ 487,812	\$ 367,362	\$ 17,401,601

**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 has been established pursuant to General Municipal Law to provide funds for the payment of unused sick time and other forms of payment for accrued leave time granted upon termination or separation from service.

Trusts has been provided to report the difference between assets and liabilities with constraints placed on their use by either external parties and/or statute.

Purchases on order 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 has utilized 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.

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

**A. Litigation**

There are currently pending certiorari proceedings, the results of which may 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 may be subject to program compliance audits pursuant to the Uniform Guidance. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

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

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

**C. Risk Management**

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

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

The School District has also established a reserve for property loss and liability pursuant to General Municipal Law. At June 30, 2018, the balance in the reserve was \$127,412, which is to be used for the uninsured portion of any losses.

The School District and neighboring school districts in Northern Westchester and Putnam Counties participate in the Westchester-Putnam Schools Cooperative Self-Insurance Plan for Workers' Compensation. This plan operates under an agreement, as amended, dated February 6, 1987. The purposes of the plan are to provide for the efficient and economical evaluation, processing, administration, defense and payment of claims against Plan members for workers' compensation payments. The Board of Trustees of the Plan consists of five Trustees selected by the Plan members. Each Trustee shall have one vote and no action may be taken except by a majority vote of the total membership of Trustees. Billings to each participant are based upon the costs incurred for workers' compensation. The School District has transferred all related risk to the Plan.

The School District and neighboring school districts in Northern Westchester and Putnam Counties participate in the Northern Westchester - Putnam Schools Cooperative Medical Expense Benefit Plan. The plan operates under an agreement dated February 17, 1989. The purposes of the plan are to provide for the efficient and economical evaluation, processing, administration and payment of claims against plan members for medical expenses through self-insurance and to provide for centralized administration, funding and disbursements for such services. The governance of the plan rests in the Board of Trustees which shall consist of five Trustees selected by the plan members. A majority vote of the total number of Trustees shall be required to taken any actions. The billings are based upon coverages provided to each participants' employees. The School District has transferred all related risk to the Plan.

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**Putnam Valley Central School District, New York**

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

	<u>2018</u>
Total OPEB Liability:	
Service cost	\$ 685,077
Interest	2,508,163
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	-
Benefit payments	<u>(2,031,890)</u>
Net Change in Total OPEB Liability	1,161,350
Total OPEB Liability – Beginning of Year	<u>68,804,136</u>
Total OPEB Liability – End of Year	<u><u>\$ 69,965,486</u></u>
School District's covered-employee payroll	<u><u>\$ 21,493,900</u></u>
Total OPEB liability as a percentage of covered-employee payroll	<u><u>326%</u></u>

Notes to Schedule:

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

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

See independent auditors' report.

**Putnam Valley Central School District, New York**

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

	2018 (3)	2017 (2)	2016	2015
School District's proportion of the net pension liability (asset)	<u>(0.117988%)</u>	<u>0.113078%</u>	<u>(0.110161%)</u>	<u>(0.110175%)</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ (896,824)</u>	<u>\$ 1,211,113</u>	<u>\$ (11,442,268)</u>	<u>\$ (12,272,786)</u>
School District's covered payroll	<u>\$ 19,002,024</u>	<u>\$ 17,826,436</u>	<u>\$ 17,017,000</u>	<u>\$ 16,679,000</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>(4.72)%</u>	<u>6.79%</u>	<u>(67.24)%</u>	<u>(73.58)%</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.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,963,607	\$ 2,227,037	\$ 2,363,785	\$ 2,983,123
Contributions in relation to the contractually required contribution	<u>(1,963,607)</u>	<u>(2,227,037)</u>	<u>(2,363,785)</u>	<u>(2,983,123)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 20,036,811</u>	<u>\$ 19,002,024</u>	<u>\$ 17,826,426</u>	<u>\$ 17,017,000</u>
Contributions as a percentage of covered payroll	<u>9.80%</u>	<u>11.72%</u>	<u>13.26%</u>	<u>17.53%</u>

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

**Putnam Valley Central School District, New York**

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

	2018	2017	2016 (2)	2015
School District's proportion of the net pension liability	<u>0.017981%</u>	<u>0.018319%</u>	<u>0.018833%</u>	<u>0.018730%</u>
School District's proportionate share of the net pension liability	<u>\$ 580,338</u>	<u>\$ 1,721,284</u>	<u>\$ 3,022,746</u>	<u>\$ 632,733</u>
School District's covered payroll	<u>\$ 5,054,799</u>	<u>\$ 4,851,419</u>	<u>\$ 4,753,923</u>	<u>\$ 4,824,000</u>
School District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>11.48%</u>	<u>35.48%</u>	<u>63.58%</u>	<u>13.12%</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.



**Putnam Valley Central School District, New York**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 757,522	\$ 749,797	\$ 829,309	\$ 855,220
Contributions in relation to the contractually required contribution	<u>(757,522)</u>	<u>(749,797)</u>	<u>(829,309)</u>	<u>(855,220)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 4,346,645</u>	<u>\$ 4,976,862</u>	<u>\$ 4,988,810</u>	<u>\$ 4,824,000</u>
Contributions as a percentage of covered payroll	<u>17.43%</u>	<u>15.07%</u>	<u>16.62%</u>	<u>17.73%</u>

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

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Putnam Valley Central School District, New York

General Fund  
Comparative Balance Sheet  
June 30,

	2018	2017
<b>ASSETS</b>		
Cash and equivalents	\$ 2,269,416	\$ 1,362,664
Investments	13,289,273	15,741,408
Receivables		
Accounts	66,380	108,189
State and Federal aid	215,410	215,367
Due from other governments	726,763	710,203
Due from other funds	1,589,712	1,864,689
	2,598,265	2,898,448
Prepaid expenditures	276,012	292,035
Total Assets	\$ 18,432,966	\$ 20,294,555
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 729,125	\$ 455,292
Accrued liabilities	252,225	647,483
Due to other funds	5,462,575	6,390,655
Due to retirement systems	2,266,345	2,509,669
Total Liabilities	8,710,270	10,003,099
Fund balance		
Nonspendable	276,012	292,035
Restricted	5,788,939	6,406,191
Assigned	1,605,509	1,651,541
Unassigned	2,052,236	1,941,689
Total Fund Balance	9,722,696	10,291,456
Total Liabilities and Fund Balance	\$ 18,432,966	\$ 20,294,555

**Putnam Valley Central School District, New York**

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

	2018				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
<b>REVENUES</b>					
Real property taxes	\$ 31,219,236	\$ 31,219,236	\$ 31,164,016	\$	\$ (55,220)
Other tax items	4,596,585	4,596,585	4,602,321		5,736
Non-property taxes	-	-	53,856		53,856
Charges for services	400,000	400,000	281,944		(118,056)
Use of money and property	60,000	60,000	278,412		218,412
State aid	10,415,000	10,415,000	10,495,848		80,848
Miscellaneous	195,000	195,000	264,485		69,485
Total Revenues	46,885,821	46,885,821	47,140,882		255,061
<b>EXPENDITURES</b>					
Current					
General support					
Board of education	71,640	78,477	62,661	11,520	4,296
Central administration	407,837	365,001	360,503	1,498	3,000
Finance	608,735	633,684	599,064	19,016	15,604
Staff	314,861	276,747	231,479	-	45,268
Central services	2,980,755	3,721,918	3,035,633	517,632	168,653
Special items	571,400	753,729	716,249	32,000	5,480
Total General Support	4,955,228	5,829,556	5,005,589	581,666	242,301
Instruction					
Instruction, administration and improvement	2,288,390	2,355,848	2,309,956	41,750	4,142
Teaching - Regular school	14,220,086	14,461,967	14,194,052	178,793	89,122
Programs for students with disabilities	8,200,512	7,147,755	6,618,528	24,167	505,060
Instructional media	1,609,975	1,795,444	1,779,836	11,403	4,205
Pupil services	2,878,793	3,416,823	3,364,269	47,859	4,695
Total Instruction	29,197,756	29,177,837	28,266,641	303,972	607,224
Pupil transportation	2,629,893	2,484,132	2,476,181	34	7,917
Employee benefits	11,336,101	10,666,041	10,656,435	1,434	8,172
Total Expenditures	48,118,978	48,157,566	46,404,846	887,106	865,614
Excess (Deficiency) of Revenues Over Expenditures	(1,233,157)	(1,271,745)	736,036	(887,106)	1,120,675
<b>OTHER FINANCING USES</b>					
Transfers out	(1,343,384)	(1,304,796)	(1,304,796)	-	-
Net Change in Fund Balance	(2,576,541)	(2,576,541)	(568,760)	\$ (887,106)	\$ 1,120,675
<b>FUND BALANCE</b>					
Beginning of Year	2,576,541	2,576,541	10,291,456		
End of Year	\$ -	\$ -	\$ 9,722,696		

See independent auditors' report.

2017

Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
\$ 30,761,467	\$ 30,761,467	\$ 30,712,908	\$	\$ (48,559)
4,748,497	4,748,497	4,762,889		14,392
-	-	50,924		50,924
225,000	225,000	328,073		103,073
25,000	25,000	126,338		101,338
10,049,681	10,049,681	10,365,812		316,131
270,000	270,000	270,219		219
46,079,645	46,079,645	46,617,163		537,518
74,972	84,753	78,416	2,365	3,972
398,130	385,516	380,115	298	5,103
628,705	626,652	617,472	4,475	4,705
323,816	227,893	204,208	-	23,685
2,745,986	3,144,186	2,558,583	585,603	-
574,276	545,620	529,520	-	16,100
4,745,885	5,014,620	4,368,314	592,741	53,565
2,032,630	2,510,145	2,199,632	11,115	299,398
13,494,847	13,930,733	13,778,034	128,100	24,599
8,222,628	8,005,467	7,744,079	30,187	231,201
1,297,996	1,406,253	1,300,291	98,809	7,153
2,837,849	2,811,112	2,714,828	49,271	47,013
27,885,950	28,663,710	27,736,864	317,482	609,364
2,779,400	2,362,211	2,282,369	-	79,842
11,438,994	10,802,307	10,154,273	8,000	640,034
46,850,229	46,842,848	44,541,820	918,223	1,382,805
(770,584)	(763,203)	2,075,343	(918,223)	1,920,323
(1,782,384)	(1,789,765)	(1,789,765)	-	-
(2,552,968)	(2,552,968)	285,578	\$ (918,223)	\$ 1,920,323
2,552,968	2,552,968	10,005,878		
\$ -	\$ -	\$ 10,291,456		

Putnam Valley Central School District, New York

General Fund

Schedule of Revenues Compared to Budget

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REAL PROPERTY TAXES</b>	<u>\$ 31,219,236</u>	<u>\$ 31,219,236</u>	<u>\$ 31,164,016</u>	<u>\$ (55,220)</u>
<b>OTHER TAX ITEMS</b>				
School tax relief reimbursement	4,556,585	4,556,585	4,556,585	-
Interest and penalties on real property taxes	<u>40,000</u>	<u>40,000</u>	<u>45,736</u>	<u>5,736</u>
	<u>4,596,585</u>	<u>4,596,585</u>	<u>4,602,321</u>	<u>5,736</u>
<b>NON-PROPERTY TAXES</b>				
Non-property tax distribution from County	<u>-</u>	<u>-</u>	<u>53,856</u>	<u>53,856</u>
<b>CHARGES FOR SERVICES</b>				
Day school tuition	250,000	250,000	14,568	(235,432)
Other student fees and charges	<u>150,000</u>	<u>150,000</u>	<u>267,376</u>	<u>117,376</u>
	<u>400,000</u>	<u>400,000</u>	<u>281,944</u>	<u>(118,056)</u>
<b>USE OF MONEY AND PROPERTY</b>				
Earnings on investments	60,000	60,000	278,098	218,098
Commissions	<u>-</u>	<u>-</u>	<u>314</u>	<u>314</u>
	<u>60,000</u>	<u>60,000</u>	<u>278,412</u>	<u>218,412</u>

**STATE AID**

Basic formula	7,586,578	7,586,578	7,180,730	(405,848)
BOCES aid	1,387,352	1,387,352	1,387,352	-
Textbook aid	104,443	104,443	104,443	-
Lottery aid	1,280,646	1,280,646	1,691,801	411,155
Computer software aid	45,691	45,691	45,691	-
Library materials aid	10,290	10,290	10,290	-
Tuition aided for handicap children	-	-	75,541	75,541
	<u>10,415,000</u>	<u>10,415,000</u>	<u>10,495,848</u>	<u>80,848</u>

**MISCELLANEOUS**

Refund of prior year's expenditures	100,000	100,000	84,885	(15,115)
Refund of prior year's BOCES expenditures	50,000	50,000	86,568	36,568
Unclassified	45,000	45,000	93,032	48,032
	<u>195,000</u>	<u>195,000</u>	<u>264,485</u>	<u>69,485</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 46,885,821</u></u>	<u><u>\$ 46,885,821</u></u>	<u><u>\$ 47,140,882</u></u>	<u><u>\$ 255,061</u></u>

See independent auditors' report.

**Putnam Valley Central School District, New York**

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
<b>GENERAL SUPPORT</b>					
<b>BOARD OF EDUCATION</b>					
Board of education	\$ 10,615	\$ 11,715	\$ 7,419	\$ -	\$ 4,296
District clerk	20,525	20,701	17,362	3,339	-
District meeting	40,500	46,061	37,880	8,181	-
Total Board of Education	71,640	78,477	62,661	11,520	4,296
<b>CENTRAL ADMINISTRATION</b>					
Chief school administrator	407,837	365,001	360,503	1,498	3,000
<b>FINANCE</b>					
Business administration	250,572	263,953	250,535	1,376	12,042
Auditing	70,000	75,400	75,400	-	-
Treasurer	165,125	155,125	153,267	7	1,851
Tax collector	111,038	103,206	101,495	-	1,711
Fiscal agent fees	12,000	36,000	18,367	17,633	-
Total Finance	608,735	633,684	599,064	19,016	15,604
<b>STAFF</b>					
Legal	115,000	106,000	81,332	-	24,668
Personnel	169,991	140,877	123,015	-	17,862
Public information and services	29,870	29,870	27,132	-	2,738
Total Staff	314,861	276,747	231,479	-	45,268



**CENTRAL SERVICES**

Operation and maintenance of plant	<u>2,980,755</u>	<u>3,721,918</u>	<u>3,035,633</u>	<u>517,632</u>	<u>168,653</u>
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**SPECIAL ITEMS**

Unallocated insurance	204,000	198,512	194,809	-	3,703
School association dues	20,400	14,317	14,317	-	-
Judgments and claims	25,000	218,900	218,613	-	287
Administrative charges - BOCES	<u>322,000</u>	<u>322,000</u>	<u>288,510</u>	<u>32,000</u>	<u>1,490</u>

Total Special Items	<u>571,400</u>	<u>753,729</u>	<u>716,249</u>	<u>32,000</u>	<u>5,480</u>
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Total General Support	<u>4,955,228</u>	<u>5,829,556</u>	<u>5,005,589</u>	<u>581,666</u>	<u>242,301</u>
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**INSTRUCTION****INSTRUCTION, ADMINISTRATION AND IMPROVEMENT**

Curriculum development and supervision	354,115	404,212	374,532	29,680	-
Supervision - Regular school	<u>1,934,275</u>	<u>1,951,636</u>	<u>1,935,424</u>	<u>12,070</u>	<u>4,142</u>

Total Instruction, Administration and Improvement	<u>2,288,390</u>	<u>2,355,848</u>	<u>2,309,956</u>	<u>41,750</u>	<u>4,142</u>
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TEACHING - REGULAR SCHOOL	<u>14,220,086</u>	<u>14,461,967</u>	<u>14,194,052</u>	<u>178,793</u>	<u>89,122</u>
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**PROGRAMS FOR STUDENTS WITH DISABILITIES**

	<u>8,200,512</u>	<u>7,147,755</u>	<u>6,618,528</u>	<u>24,167</u>	<u>505,060</u>
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**INSTRUCTIONAL MEDIA**

School library and audiovisual	215,402	197,005	193,761	1,350	1,894
Computer assisted instruction	<u>1,394,573</u>	<u>1,598,439</u>	<u>1,586,075</u>	<u>10,053</u>	<u>2,311</u>

Total Instructional Media	<u>1,609,975</u>	<u>1,795,444</u>	<u>1,779,836</u>	<u>11,403</u>	<u>4,205</u>
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(Continued)

**Putnam Valley Central School District, New York**

General Fund

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

Year Ended June 30, 2018

25

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
<b>PUPIL SERVICES</b>					
Guidance - Regular school	\$ 642,840	\$ 611,842	\$ 600,975	\$ 10,000	\$ 867
Health services - Regular school	295,654	270,211	265,617	3,803	791
Psychological services - Regular school	385,800	352,800	352,148	-	652
Pupil personnel services - Special schools	295,965	911,372	911,372	-	-
Co-curricular activities - Regular school	278,755	324,294	323,668	-	626
Interscholastic activities - Regular school	979,779	946,304	910,489	34,056	1,759
Total Pupil Services	2,878,793	3,416,823	3,364,269	47,859	4,695
Total Instruction	29,197,756	29,177,837	28,266,641	303,972	607,224
<b>PUPIL TRANSPORTATION</b>					
District transportation services	1,152,532	1,110,260	1,102,309	34	7,917
Contract transportation	1,477,361	1,373,872	1,373,872	-	-
Total Pupil Transportation	2,629,893	2,484,132	2,476,181	34	7,917
<b>EMPLOYEE BENEFITS</b>					
State retirement	1,031,821	735,015	735,015	-	-
Teachers' retirement	2,021,681	1,956,898	1,956,898	-	-
Social security	2,073,455	1,892,248	1,892,248	-	-
Workers' compensation benefits	140,000	140,000	135,197	-	4,803
Life insurance	12,000	12,000	11,903	-	97
Unemployment benefits	50,000	3,021	3,021	-	-
Hospital, medical and dental insurance	5,535,394	5,425,660	5,423,824	1,434	402
Union welfare benefits	471,750	501,199	498,329	-	2,870
Total Employee Benefits	11,336,101	10,666,041	10,656,435	1,434	8,172
<b>TOTAL EXPENDITURES</b>	<b>48,118,978</b>	<b>48,157,566</b>	<b>46,404,846</b>	<b>887,106</b>	<b>865,614</b>

**OTHER FINANCING USES**

## Transfers out

Special Aid Fund	85,000	69,352	69,352	-	-
Debt Service Fund	1,183,384	1,183,384	1,183,384	-	-
Capital Projects Fund	<u>75,000</u>	<u>52,060</u>	<u>52,060</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING USES</b>	<u>1,343,384</u>	<u>1,304,796</u>	<u>1,304,796</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u><u>\$ 49,462,362</u></u>	<u><u>\$ 49,462,362</u></u>	<u><u>\$ 47,709,642</u></u>	<u><u>\$ 887,106</u></u>	<u><u>\$ 865,614</u></u>

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Putnam Valley Central School District, New York

Special Aid Fund  
Comparative Balance Sheet  
June 30,

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	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 475,279	\$ 970,674
State and Federal aid receivable	<u>757,129</u>	<u>889,686</u>
 Total Assets	 <u>\$ 1,232,408</u>	 <u>\$ 1,860,360</u>
 <b>LIABILITIES</b>		
Due to other funds	<u>\$ 1,232,408</u>	<u>\$ 1,860,360</u>

See independent auditors' report.

**Putnam Valley Central School District, New York**

## Special Aid Fund

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

	2018			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
State aid	\$ 277,409	\$ 277,409	\$ 277,409	\$ -
Federal aid	554,777	570,823	562,200	(8,623)
Total Revenues	832,186	848,232	839,609	(8,623)
<b>EXPENDITURES</b>				
Current				
Instruction	917,186	917,584	908,961	8,623
Deficiency of Revenues Over Expenditures	(85,000)	(69,352)	(69,352)	-
<b>OTHER FINANCING SOURCES</b>				
Transfers in	85,000	69,352	69,352	-
Net Change in Fund Balance	-	-	-	-
<b>FUND BALANCE</b>				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

2017			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 369,525	\$ 369,525	\$ 369,525	\$ -
514,607	562,353	546,307	(16,046)
884,132	931,878	915,832	(16,046)
969,132	1,024,259	1,008,213	16,046
(85,000)	(92,381)	(92,381)	-
85,000	92,381	92,381	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Putnam Valley Central School District, New York

Debt Service Fund  
Comparative Balance Sheet  
June 30,

---

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Due from other funds	<u>\$ 5,337,020</u>	<u>\$ 6,254,971</u>
<b>FUND BALANCE</b>		
Restricted	<u>\$ 5,337,020</u>	<u>\$ 6,254,971</u>

See independent auditors' report.



**Putnam Valley Central School District, 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>
<b>REVENUES</b>		
Use of money and property	<u>\$ 2,490</u>	<u>\$ 71</u>
<b>EXPENDITURES</b>		
Debt service		
Serial bonds		
Principal	1,680,000	1,665,000
Interest	<u>423,825</u>	<u>490,425</u>
Total Expenditures	<u>2,103,825</u>	<u>2,155,425</u>
Deficiency of Revenues Over Expenditures	(2,101,335)	(2,155,354)
<b>OTHER FINANCING SOURCES</b>		
Transfers in	<u>1,183,384</u>	<u>1,697,384</u>
Net Change in Fund Balance	(917,951)	(457,970)
<b>FUND BALANCE</b>		
Beginning of Year	<u>6,254,971</u>	<u>6,712,941</u>
End of Year	<u><u>\$ 5,337,020</u></u>	<u><u>\$ 6,254,971</u></u>

See independent auditors' report.

**Putnam Valley Central School District, New York**

Capital Projects Fund  
Comparative Balance Sheet  
June 30,

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 176,956	\$ 394,240
Restricted cash	6,923,404	-
Due from other funds	628,371	632,119
State and Federal aid receivable	<u>357,304</u>	<u>-</u>
Total Assets	<u>\$ 8,086,035</u>	<u>\$ 1,026,359</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 14,101	\$ -
Due to other funds	898,341	538,547
Unearned revenues	<u>357,304</u>	<u>-</u>
Total Liabilities	1,269,746	538,547
Fund balance		
Restricted	<u>6,816,289</u>	<u>487,812</u>
Total Liabilities and Fund Balance	<u>\$ 8,086,035</u>	<u>\$ 1,026,359</u>

See independent auditors' report.

**Putnam Valley Central School District, New York**

**Capital Projects Fund**

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

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>	\$ -	\$ -
<b>EXPENDITURES</b>		
Capital outlay	<u>644,795</u>	<u>124,206</u>
Deficiency of Revenues Over Expenditures	<u>(644,795)</u>	<u>(124,206)</u>
<b>OTHER FINANCING SOURCES</b>		
Energy performance contract issued	6,921,212	-
Transfers in	<u>52,060</u>	<u>-</u>
Total Other Financing Sources	<u>6,973,272</u>	<u>-</u>
Net Change in Fund Balance	6,328,477	(124,206)
<b>FUND BALANCE</b>		
Beginning of Year	<u>487,812</u>	<u>612,018</u>
End of Year	<u><u>\$ 6,816,289</u></u>	<u><u>\$ 487,812</u></u>

See independent auditors' report.

Putnam Valley Central School District, New York

Capital Projects Fund

Project-Length Schedule

Inception of Project Through June 30, 2018

PROJECT	Project Budget	Expenditures and Transfers To Date		
		Prior Years	Current Year	Totals
School Bus Replacements	\$ 1,352,886	\$ 1,352,486	\$ -	\$ 1,352,486
Elementary School/Middle School Construction	7,450,000	7,447,128	-	7,447,128
General Reconstruction				
General Reconstruction	1,834,476	1,585,367	-	1,585,367
Middle School Roof	257,000	257,000	-	257,000
Middle School Elevator	140,674	50,686	89,988	140,674
Window Replacements	17,850	-	17,850	17,850
	<u>2,250,000</u>	<u>1,893,053</u>	<u>107,838</u>	<u>2,000,891</u>
Student Transportation Vehicles	52,060	-	52,060	52,060
Geothermal Piping/Sewer Ejector Pump	309,800	182,207	127,593	309,800
Smart Schools Bond Act	915,998	-	357,304	357,304
Energy Performance Project	<u>6,921,212</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 19,251,956</u>	<u>\$ 10,874,874</u>	<u>\$ 644,795</u>	<u>\$ 11,519,669</u>

See independent auditors' report.

Unexpended Balance	Methods of Financing			Fund Balance (Deficit) at June 30, 2018
	Interfund Transfers	Proceeds of Obligations	Total	
\$ 400	\$ -	\$ 1,352,886	\$ 1,352,886	\$ 400
2,872	-	7,450,000	7,450,000	2,872
249,109	-	1,834,476	1,834,476	249,109
-	-	257,000	257,000	-
-	-	140,674	140,674	-
-	-	17,850	17,850	-
249,109	-	2,250,000	2,250,000	249,109
-	52,060	-	52,060	-
-	309,800	-	309,800	-
558,694	-	-	-	(357,304)
6,921,212	-	6,921,212	6,921,212	6,921,212
<u>\$ 7,732,287</u>	<u>\$ 361,860</u>	<u>\$ 17,974,098</u>	<u>\$ 18,335,958</u>	<u>\$ 6,816,289</u>

**Putnam Valley Central School District, New York**

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

			Total Non-Major Governmental Funds	
	School Lunch	Special Purpose	2018	2017
<b>ASSETS</b>				
Cash and equivalents	\$ 255,310	\$ 63,364	\$ 318,674	\$ 354,466
Receivables				
Accounts	160	80	240	177
State and Federal aid	13,353	-	13,353	635
Due from other funds	-	38,221	38,221	42,111
	13,513	38,301	51,814	42,923
Inventories	8,344	-	8,344	8,501
Total Assets	\$ 277,167	\$ 101,665	\$ 378,832	\$ 405,890
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 48,881	\$ 10,058	\$ 58,939	\$ 33,723
Due to other funds	-	-	-	4,328
Due to other governments	420	-	420	477
Total Liabilities	49,301	10,058	59,359	38,528
Fund balances				
Nonspendable	8,344	-	8,344	8,501
Restricted	-	91,607	91,607	146,515
Assigned	219,522	-	219,522	212,346
Total Fund Balances	227,866	91,607	319,473	367,362
Total Liabilities and Fund Balances	\$ 277,167	\$ 101,665	\$ 378,832	\$ 405,890

See independent auditors' report.

**Putnam Valley Central School District, New York**

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

	School Lunch	Special Purpose	Total Non-Major Governmental Funds	
			2018	2017
<b>REVENUES</b>				
Use of money and property	\$ 385	\$ 214	\$ 599	\$ 348
State aid	10,396	-	10,396	11,196
Federal aid	236,337	-	236,337	232,964
Food sales	499,442	-	499,442	468,903
Miscellaneous	15,825	175,353	191,178	212,986
Total Revenues	762,385	175,567	937,952	926,397
<b>EXPENDITURES</b>				
Current				
Cost of food sales	755,366	-	755,366	946,731
Other	-	230,475	230,475	212,770
Total Expenditures	755,366	230,475	985,841	1,159,501
Excess (Deficiency) of Revenues Over Expenditures	7,019	(54,908)	(47,889)	(233,104)
<b>FUND BALANCES</b>				
Beginning of Year	220,847	146,515	367,362	600,466
End of Year	\$ 227,866	\$ 91,607	\$ 319,473	\$ 367,362

See independent auditors' report.

**Putnam Valley Central School District, New York**

School Lunch Fund  
Comparative Balance Sheet  
June 30,

	2018	2017
<b>ASSETS</b>		
Cash and equivalents	<u>\$ 255,310</u>	<u>\$ 245,911</u>
Receivables		
Accounts	160	-
State and Federal aid	<u>13,353</u>	<u>635</u>
	<u>13,513</u>	<u>635</u>
Inventories	<u>8,344</u>	<u>8,501</u>
Total Assets	<u><u>\$ 277,167</u></u>	<u><u>\$ 255,047</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	<u>\$ 48,881</u>	<u>\$ 33,723</u>
Due to other governments	<u>420</u>	<u>477</u>
Total Liabilities	<u>49,301</u>	<u>34,200</u>
Fund balance		
Nonspendable	8,344	8,501
Assigned	<u>219,522</u>	<u>212,346</u>
Total Fund Balance	<u>227,866</u>	<u>220,847</u>
Total Liabilities and Fund Balance	<u><u>\$ 277,167</u></u>	<u><u>\$ 255,047</u></u>

See independent auditors' report.



**Putnam Valley Central School District, New York**

School Lunch Fund

Comparative Statement of Revenues, Expenditures and Changes  
in Fund Balance

Years Ended June 30,

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Use of money and property	\$ 385	\$ 222
State aid	10,396	11,196
Federal aid	236,337	232,964
Food sales	499,442	468,903
Miscellaneous	<u>15,825</u>	<u>24,242</u>
Total Revenues	762,385	737,527
<b>EXPENDITURES</b>		
Current		
Cost of food sales	<u>755,366</u>	<u>946,731</u>
Excess (Deficiency) of Revenues Over Expenditures	7,019	(209,204)
<b>FUND BALANCE</b>		
Beginning of Year	<u>220,847</u>	<u>430,051</u>
End of Year	<u>\$ 227,866</u>	<u>\$ 220,847</u>

See independent auditors' report.

**Putnam Valley Central School District, New York**

Special Purpose Fund  
Comparative Balance Sheet  
June 30,

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 63,364	\$ 108,555
Accounts receivable	80	177
Due from other funds	<u>38,221</u>	<u>42,111</u>
Total Assets	<u>\$ 101,665</u>	<u>\$ 150,843</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 10,058	\$ -
Due to other funds	<u>-</u>	<u>4,328</u>
Total Liabilities	10,058	4,328
Fund balance		
Restricted	<u>91,607</u>	<u>146,515</u>
Total Liabilities and Fund Balance	<u>\$ 101,665</u>	<u>\$ 150,843</u>

See independent auditors' report.

**Putnam Valley Central School District, New York**

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

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	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Use of money and property	\$ 214	\$ 126
Miscellaneous	<u>175,353</u>	<u>188,744</u>
Total Revenues	175,567	188,870
<b>EXPENDITURES</b>		
Current		
Other	<u>230,475</u>	<u>212,770</u>
Deficiency of Revenues Over Expenditures	(54,908)	(23,900)
<b>FUND BALANCE</b>		
Beginning of Year	<u>146,515</u>	<u>170,415</u>
End of Year	<u>\$ 91,607</u>	<u>\$ 146,515</u>

See independent auditors' report.

**Putnam Valley Central School District, New York**

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

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Adopted Budget	\$ 48,544,139
Encumbrances	<u>918,223</u>
Original/Final Budget	<u><u>\$ 49,462,362</u></u>

General Fund  
Section 1318 of Real Property Tax Law Limit Calculation

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2018-19 Expenditure Budget	<u>\$ 51,294,919</u>
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General Fund Fund Balance Subject to Section 1318  
of Real Property Tax Law

Unrestricted fund balance	
Assigned fund balance	1,605,509
Unassigned fund balance	<u>2,052,236</u>
Total Unrestricted Fund Balance	<u>3,657,745</u>

Less

Appropriated for subsequent year's budget	718,403
Encumbrances	<u>887,106</u>

Total Adjustments	<u>1,605,509</u>
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General Fund Fund Balance Subject to Section 1318  
of Real Property Tax Law

\$ 2,052,236

Actual Percentage	<u><u>4.00%</u></u>
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See independent auditors' report.

**Putnam Valley Central School District, New York**

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

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Capital Assets, net		\$ 30,237,049
Less		
Bonds Payable	(9,254,911)	
Energy Performance Contract Payable	(6,921,212)	
Unamortized Portion of Premium on Bonds	<u>(1,332,435)</u>	(17,508,558)
Plus		
Unexpended Bond Proceeds	252,381	
Unexpended Energy Performance Contract Payable	6,921,212	
Unamortized Portion of Loss on Refunding Bonds	<u>316,736</u>	<u>7,490,329</u>
Net Investment in Capital Assets		<u>\$ 20,218,820</u>

See independent auditors' report.

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

**Independent Auditors' Report**

**The Board of Education of the  
Putnam Valley Central School District, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Putnam Valley Central School District, New York ("School District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 20, 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

September 20, 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  
Putnam Valley Central School District, New York**

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

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

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

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

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

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

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

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

*PKF O'Connor Davies, LLP*

**PKF O'Connor Davies, LLP**

Harrison, New York

September 20, 2018

**Putnam Valley Central School District, New York**

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

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Sub- Recipients</u>	<u>Total 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	\$ -	\$ 27,655
National School Lunch Program - Commodities	10.555	N/A	-	41,883
National School Lunch Program - Cash	10.555	N/A	-	166,799
Total U.S. Department of Agriculture			-	236,337
<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	0032-18-0741	-	363,353
Special Education - Preschool Grants	84.173	0033-18-0741	-	17,202
Subtotal Special Education Cluster			-	380,555
Title I Grants to Local Educational Agencies	84.010	0021-18-2460	-	121,236
English Language Acquisition State Grants	84.365	0152-17-2460	-	23,749
Supporting Effective Instruction State Grants	84.367	0147-18-2460	-	36,660
Total U.S. Department of Education			-	562,200
Hurricane Education Recovery	84.938	N/A	-	6,750
Total Expenditures of Federal Awards			\$ -	\$ 805,287

(1) Catalog of Federal Domestic Assistance number.

N/A - Information not available.

The accompanying notes are an integral part of this schedule.

## **Putnam Valley Central School District, New York**

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

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

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of the Putnam Valley Central School District, New York ("School District") under programs of the federal government for the year ended June 30, 2018. Federal awards received directly from the Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the 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"). 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.

**Putnam Valley Central School District, New York**

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

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None

**Putnam Valley Central School District, New York**

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

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**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' 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

10.533

Child Nutrition Cluster:

10.555

School Breakfast Program

10.555

National School Lunch Program - Commodities

National School Lunch Program – Cash

84.010

Title 1 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  
\_\_\_\_ Yes      X   No

**Section II - Financial Statement Findings**

None

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

None